

Open

Audit Committee

Agenda

6 pm
Monday, 25th June 2012
The Earl Baldwin Suite
Duke House
Clensmore Street
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor D McCann
Vice-Chairman: Councillor M A Salter

Councillor P Dyke
Councillor M B Kelly
Councillor J W Parish

Councillor J A Hart
Councillor N Knowles
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, 25th June 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 Community Assets & Localism, 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 March 2012.	5
5.	Audit Committee Update Report To receive a report from the Audit Commission in relation to audit progress and update for 2011/12.	8
6.	External Funding Position Statement – Quarters 3 & 4 2011/12 To receive a report from the Director of Economic, Prosperity and Place regarding the amount of external funding being attracted to the District during quarters 3 and 4 of the 2011/12 financial year and of the variety of projects for which the funding is contributing towards.	16

7.	<p>Internal Audit Monitoring Report Quarter Ended 31st March 2012</p> <p>To receive a report from the Section 151 Officer and the Principal Auditor informing Members of the Internal Audit Monitoring Report Quarter ended 31st March 2012.</p>	22
8.	<p>Annual Report from the Section 151 Officer – 2011/12</p> <p>To receive the Annual report for 2011/12 from the Section 151 Officer.</p>	48
9.	<p>Annual Governance Statement</p> <p>To receive a report from the Director of Resources asking for approval of the Annual Governance Statement and Annual Governance Action Plan 2011/12 for inclusion within the Statement of Accounts.</p>	57
10.	<p>Report on Final Accounts</p> <p>To receive a report from the Director of Resources asking the Committee to consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2011/12. (Report to follow)</p>	-
11.	<p>To consider any other business, details of which have been communicated to the Director of Community Assets & Localism 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>	
12.	<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

13.	<p>To consider any other business, details of which have been communicated to the Director of Community Assets & Localism 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>	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

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

12TH MARCH 2012 (6 PM)

Present:

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

AUD.27 Apologies for Absence

There were no apologies for absence.

AUD.28 Appointment of Substitutes

There were no substitutes appointed.

AUD.29 Declaration of Interests

No declarations of interest were made.

AUD.30 Minutes

Agreed: The minutes of the meeting held on 12th December 2011 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.31 Certification of Claims and Returns – Annual Report 2010/11

The Committee considered a report from the Audit Commission in relation to work that has been undertaken on the certification of Claims and Returns on behalf of the Council.

Members were informed that the Audit Commission was required to report to the Council the key issues arising.

Members stated that it was pleasing to see a slight reduction in the certification fees.

Agreed: The information be noted.

AUD.32 Audit Committee Update Report

The Committee received a new report from the Audit Commission in relation to the audit progress and emerging national issues for noting.

Members were informed that the Audit Commission had produced a new

report to progress on delivering their responsibilities as the Council's external auditors.

Members asked whether the Committee would have any involvement in the Independent Remuneration Panel. The Audit Commission responded that this was something that the Council had to take the lead on.

Agreed: The information be noted.

AUD.33 Audit Commission Audit Plan 2011/12 Report

The Committee received a report from the Audit Commission in relation to the Audit Plan for 2011/12.

The Audit Commission were required to report in more detail as to what they would be considering. Members' were informed that Grant Thornton had won the contract for external audit services across the West Midlands area.

In response to a Members query, it was confirmed that 53% of the Icelandic monies had been received to date.

Agreed: The information be noted.

AUD.34 Internal Audit – Strategic Internal Audit Plan 2012-2015

The Committee received a report from the Acting Section 151 Officer and the Principal Auditor which informed Members of the Audit Plan for 2012-2015.

Members were content with the simplified layout of the report.

Agreed:

- 1. The Strategic Internal Audit Plan be approved.**
- 2. The Section 151 Officer to amend the plan in light of developments arising during the year as described in paragraph 3.6 of the report to the Audit Committee and in accordance with paragraphs 3.3(b) of the approved Terms of Reference for Internal Audit.**

AUD.35 Internal Audit Monitoring Report Quarter Ended 31st December 2011

The Committee received a report from the Acting Section 151 Officer and the Principal Auditor which informed Members of the Internal Audit Monitoring Report Quarter ended 31st December 2011.

Members' attention was drawn to the fact no 'unsound' reports had been issued. Three reports had received 'some' assurance.

Agreed: The Internal Audit Monitoring Report for the Quarter ended 31st December 2011 as detailed in the appendix to the report be considered.

AUD.36 Annual Governance Statement – Action Plan

The Committee received a report from the Acting Section 151 Officer which presented to Members the current position in relation to the Action Plan, developed to address the weaknesses identified with the 2010/11 Annual Governance Statement.

Members were informed that within the Statement of Accounts it was a requirement to produce a Governance Statement that concluded with areas of weakness. Members noted that the occupation date in the report stated June 2012 but this had now been put back.

The Acting Director of Resources confirmed to Members that no additional costs had been identified to date due to the delay in occupation of the Council's new Headquarters.

Agreed: The current position of the Annual Governance Statement Action Plan for 2010/12 be approved and noted.

AUD.37 Risk Management – Corporate Risk Register

The Committee received a report from the Acting Director of Resources which presented to Members the current position in relation to the Corporate Risk Register.

Members were taken through the Corporate Risk Reports and informed that the Director of Economic Prosperity and Place and the Head of Economic Development and Regeneration – North Worcestershire, were working on PRSBP1142a – ReWyre Initiative, Develop Master Plan and Strategy for the former British Sugar factory, and an update would be reflected in the next report

A Member had concerns that no update had been given on the ReWyre Conference that had been held on 4th November 2011 and that progress was at 0%. The Acting Director of Resources would obtain the information and circulate to Members.

Agreed: The Corporate Risk Register and the associated mitigating actions be considered and noted.

The meeting ended at 6.45 pm.

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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Other Matters of Interest5

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Contact Details6

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 June 2012

Progress Report

Financial statements

5 We have now completed our work on systems to support the opinion.

We have:

- Completed as much pre-statement substantive work as we are able
- identified controls testing to be undertaken at year end (eg) year end bank reconciliations
- Reviewed the work of Internal Audit for the key financial systems
- Refreshed our understanding of the control environment through updated minute reviews;
- Identified areas of Internal Audit work where we are seeking to place reliance to eliminate duplication

6 We have agreed with the Council to continue 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. Work on Final accounts will begin on site w/c 2 July 2012.

7 Finance staff have attended the Audit Commission's Accounts Workshop in February 2012. This provided guidance over national accounts issues likely to impact upon Local Government accounts. We are continuing to discuss accounting issues as they emerge as it supports the audit process on an ongoing basis.

8 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 have also issued a working paper requirement document to identify working papers we anticipate will be required for the 2011/12 audit as well as sharing our disclosure checklist.

Emerging Findings

9. The results of our systems testing identified the following issues:

- We were unable to rely on journal controls testing. A sample of 20 journals tested by IA identified that 2 had not been appropriately authorised. We will therefore be required to undertake substantive testing of material journals at year end.
- A review of controls operating around the payroll system identified failures around authorisation of starters, leavers, and overtime forms. As a result of this we will be required to undertake substantive testing of payroll at year end.

We recommend that the Council ensure controls in place operate effectively.

VFM conclusion

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

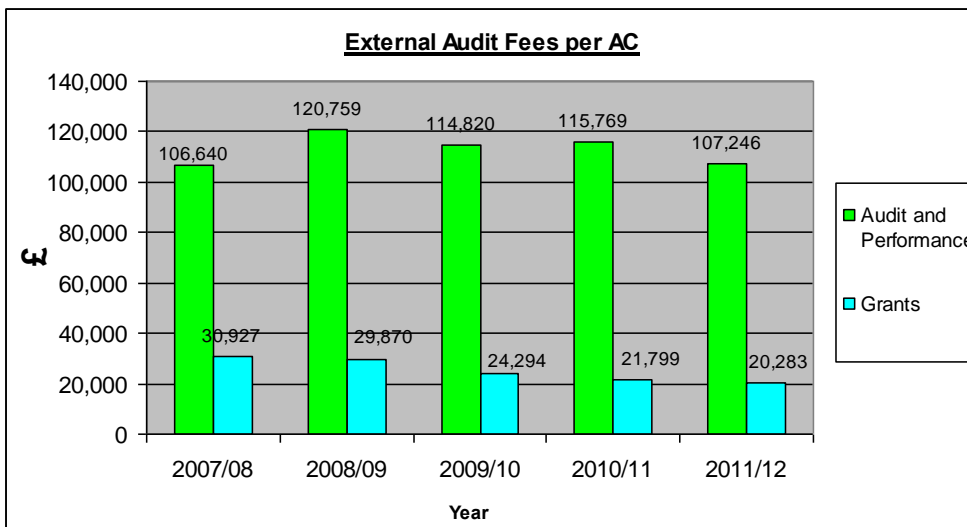
- The organisation has proper arrangements in place for securing financial resilience
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

10 A local programme of VFM work has been planned based on our audit risk assessment. We have now substantially completed this work. 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

Summary of audit fees

11 At audit committee 12 March, the Chair of Audit requested information relating to audit fees over the last years. This is shown below in tabular form.



12 The increase between years 2007/08 and 2008/09 relates to additional work required as a result of Icelandic Investments.

13 We will continue to work with you to manage our audit and seek to make savings wherever we are able.

Contact Details

14 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.

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

Liz Cave

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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
MONDAY 25TH JUNE 2012

External Funding Position Statement – Quarters 3 & 4 2011/12

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Multi-themed
CORPORATE PLAN PRIORITY:	Multi-themed
CABINET MEMBER:	Councillor J-P Campion
DIRECTOR:	Director of Economic Prosperity and Place
CONTACT OFFICER:	Matthew Barker - Ext. 2192 Matthew.barker@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 – External Funding Monitoring Report: Quarters 3 & 4 2011/12

1. PURPOSE OF REPORT

- 1.1 This report provides an update on the amount of external funding being attracted into the District during Quarters 3 & 4 of the 2011/12 financial year; and the variety of projects for which the funding is contributing towards for the benefit of the District and its residents.

2. RECOMMENDATIONS

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

3. BACKGROUND

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

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

4. KEY ISSUES

- 4.1 Appendix 1 is the External Funding Position Statement for Quarters 3 & 4 of the 2011/12 financial year.
- 4.2 The information provided in the Appendix is externally funding projects which the District Council and its Officers have been directly involved with.
- 4.3 The information contains a mix of those projects where funding was actively bid for by the District Council, those instances where a grant has been allocated to the Council in order to provide a service, projects which the Council is leading on an attracting support from other organisations, and projects where the Council is working in partnership with other organisations and has contributed, but is not the accountable body.
- 4.4 This report includes news that the District Council, together with the St Francis Group, have been successful in bidding for £3.5m of funding to help deliver the first phase of the Hoo Brook Link Road on the former British Sugar site. This funding has been provided by both the Worcestershire and the Greater Birmingham & Solihull Local Enterprise Partnerships under the Government's Growing Places scheme.
- 4.5 The report also includes the just under £500,000 worth of funding attracted through Sport England for hockey facilities at Stourport Sports Club. In addition, the District Council has also received £100,000 of funding under the Government's High Street Innovation Fund to be used to support the economy of the District's town centres.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

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

7. RISK MANAGEMENT

7.1 Not applicable.

8. EQUALITY IMPACT NEEDS ASSESSMENT

8.1 Not applicable.

9. CONCLUSIONS

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

10. CONSULTEES

10.1 Not applicable.

11. BACKGROUND PAPERS

11.1 External Funding Monitoring Policy (February 2009).

Appendix 1 - External Funding Position Statement – Quarters 3 & 4 2011/12 Agenda Item No. 6

Name of Project or Service and Contact Officer	Acc Body WFDC?	Corporate Theme and Key Priority	Name of Funding Pot and Funding Provider	Amount of funding	Total funding required for project / service	Other monies provided and by whom	Use of Funding	Geographical Area
Kidderminster Arts Festival 2012 (Loz Samuels)	Yes	Improving Community Wellbeing Securing the Economic Prosperity of the District	Arts Council England	£24,047	£50,448	Wyre Forest District Council (£12,554)	Annual arts festival, production support, additional program and Paralympic spectacle	Kidderminster Town Centre
			KAF Creatives	£4,900				
			Swan Centre	£690				
			Boars Head Gallery	£120				
			Weavers Wharf	£50				
			Severn Valley Samba	£75				
			Worcestershire County Library Service	£25.00				
LSD Promotions	£250							
Wyre Forest Community Safety Partnership (Kathryn Washington)	Worcestershire County Council	Improving Community Wellbeing	Community Safety Fund Worcestershire County Council	£109,385	£109,385		Allocation of funding is determined by Wyre Forest Community Safety Partnership throughout the year.	District wide

Appendix 1 - External Funding Position Statement – Quarters 3 & 4 2011/12 **Agenda Item No. 6**

Sportivate (Dale Evans)	Yes	Improving Community Wellbeing	Sport England – Herefordshire & Worcestershire Sports Partnership	£8820	£8820		To raise the drop-off levels in sporting activity in the 14-25 age group.	District wide
Activity Referral Scheme (Dale Evans)	Yes	Improving Community Wellbeing	Sport England Herefordshire & Worcestershire Sports Partnership DC Leisure	£3600	£3600		Involves residents of Wyre Forest who have referred by a GP who are suffering from health problems. Scheme includes exercise and nutritional advice.	District wide
Stourport Sports Club hockey facilities. (Lesley Fox)	Yes	Improving Community Wellbeing	Sport England	£489,000	£489,000		Building of new sand dressed artificial grass pitch at Stourport Sports Club with floodlights and fencing. This new provision will enable elite participation as well as growth and additional capacity for Kidderminster HC which is being displaced in 2012 from current playing facility.	Stourport Sports Club
Children and Young People School Club Link Fund (Dale Evans)	Yes	Improving Community Wellbeing	Worcestershire County Council Wyre Forest Schools Sports Partnership	£470	£470		To provide children and young people an opportunity to progress into sports clubs who would normally find it difficult to access that sort of club.	District wide

Appendix 1 - External Funding Position Statement – Quarters 3 & 4 2011/12 Agenda Item No. 6

Positive Activities for Children with disabilities to ensure short breaks for families (Lucy Savage)	Yes	Improving Community Wellbeing	Worcestershire County Council	£10,000	£10,000		To provide sporting & physical opportunities for children with a disability, to provide a short break to careers/families	District wide
Hoo Brook Link Road Phase 1 (Ken Harrison)	No (St. Francis Group)	Securing the Economic Prosperity of the District	Worcestershire Local Enterprise Partnership Greater Birmingham & Solihull Local Enterprise Partnership	£1.75m £1.75m	£8.5m	St. Francis Group (£5m)	Road infrastructure to help unlock more than 24 hectares of land for new homes and businesses on the former British Sugar site at Stourport Road, Kidderminster.	Former British Sugar site and wider District
Express & Star Regeneration Feature (Matt Barker)	Yes	Securing the Economic Prosperity of the District	Kidderminster Academy Worcestershire County Council	£1,050 £1,050	£4,200	WFDC (£2,100)	Two page spread in regional Express & Star Regeneration West Midlands publication.	District Wide
High Street Innovation Fund (Ken Harrison)	Yes	Securing the Economic Prosperity of the District	Central Government	£100,000		WFDC (in kind contribution)	Funding to help revitalise town centres by bringing empty shops back into use.	Kidderminster, Stourport and Bewdley town centres.

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
MONDAY 25th JUNE 2012

Internal Audit Monitoring Report Quarter Ended 31st March 2012

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	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 March 2012

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Internal Audit Monitoring Report for the Quarter ended 31st March 2012, 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 March 2012 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 5 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**
 - Section 5 Work In Progress
 - Section 6 Final Audit Reports issued in the period 1st April 2011 to 31st December 2011.

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 discernible impacts on the six equality strands.

9. CONCLUSION

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 31st March 2012 is reported within Appendix 1. This information is presented to members in accordance with the Terms of Reference for the Internal Audit Team.
- 9.2 The work undertaken by the Internal Audit Team has complied with the requirements of the CIPFA Code of Practice for Internal Audit in Local government.

10. CONSULTEES

- 10.1 Corporate Management Team.

11. BACKGROUND PAPERS

- 11.1 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 MARCH 2012**

INTERNAL AUDIT
QUARTERLY INTERNAL AUDIT MONITORING REPORT
QUARTER ENDED 31ST MARCH 2012

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Joanne Wagstaffe/Tracey Southall
SECTION 151 OFFICER

20th May 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 MARCH 2012		
	ASSURANCE	PAGE
COMMUNITY ASSETS & LOCALISM		
Key Systems		
Elections & Electoral Register 2010~11/2011~12	S	8
Management of Town & Civic Halls 2011~12	L	9
Trading Estates & Property Debts 2011~12	S	10
RESOURCES DIRECTORATE		
Key Systems		
Accounting Journals 2011~12	S	11
Benefits (Reconciliations ~ Revenues & Benefits) 2011~12	S	12
Cash To Bank (Housing Act Advances & Miscellaneous Income) 2011~12	S	13
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AUDIT REPORT TITLE: Elections & Electoral Registration 2010/11 BUDGET: £291,070 (Estimated) REF: R500	ACTION PLAN ISSUED: 6 th May 2011 DRAFT REPORT DATE ISSUED: 5 th September 2011 FINAL REPORT ISSUED: 17 th January 2012	SERVICE: Legal & Corporate Service ~ Elections (29.02.12) (Community Assets & Localism ~ 01.03.12) RESPONSE RECEIVED: 13 th January 2012
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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.

Recommendation Rankings	Definition
Advisory	Low risk – recommendation for consideration
Other	Medium risk - action required but not urgent
Significant	High risk – urgent action needed

Overview

The review was undertaken to ensure that there are appropriate arrangements in place relating to the administration of the electoral register and for undertaking elections within Wyre Forest District Council. An assessment was undertaken of the processes in place for access and additions/deletions/amendments to the register of electors and for recording costs and expenses claim from other bodies; also that statutory requirements are met for the carrying out of elections including suitable arrangements for the administration, receipt and count of postal votes and that fees received from the sale of the register are in line with legislation and with approved scale of charges.

A new electronic elections system (X-Press) was implemented in 2010 it was observed that procedure notes had not been amended to reflect this change. During the review and to assist the Democratic Services Manager, an Action Plan was issued in May 2011. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. Those recommendations actioned following the issue of the action plan are detailed below for completeness. Where matters arising have not been actioned, these observations and recommendations have been included with the body of the report for further consideration. During the review it was found that system documentation in respect of the elections and electoral register made reference to ex-employees and was therefore out of date. A sample of new electoral registrations was selected for detailed testing, all were found to have been appropriately updated in a timely manner; however electronic register updates, made by the Election Reform Service directly into the X-press system, were not independently reconciled for accuracy. Fees and charges were found to be accurate however, although payments were received prior to distribution, sales order invoices are not always raised and recorded on Agresso (Financial Management system). Elections pay rates were available, however were not within one single document for ease of reference or publication. There was no evidence that election travel claims are subject to the standard employee verification checks. The procurement of election printing is not currently inline with the Council's corporate procurement policy. In addition, two advisory recommendations have been included within this report for consideration regarding the employment of elections employees.

Conclusion

On the basis of the work undertaken, the review has concluded that systems in operation for the administration of the electoral register and for undertaking elections within the Wyre Forest District are operating well and are being managed effectively; however there are some areas where there are opportunities for improvement.

The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place. 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

AUDIT REPORT TITLE: Management of Town & Civic Halls BUDGET: Customer Client Receipts (Estimated 2011~12) Kidderminster Town Hall £55,520/Stourport Civic Centre £20,060 REF: R216/R221	DRAFT REPORT DATE ISSUED: 8 th November 2011 FINAL REPORT ISSUED: 17 th February 2012	SERVICE: Legal & Corporate Services 29.02.12 (Community Assets & Localism ~ 01.03.12) RESPONSE RECEIVED: 9 th February 2012 Supported by Meeting 24 th November 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.		

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Overview

The review was undertaken to ensure that there are appropriate arrangements in place in relation to the management of Kidderminster Town Hall and Stourport Civic Centre with regard to the promotion of room hire at both venues, the terms and conditions of hire, booking processes and pricing structure including the grand aid scheme, the collection and payment of performing rights fees and collection/banking and recording of the income. This review did not cover the contracts in place for bar and electrical/lighting provision.

It was observed that the Town and Civic Halls Management Team are ensuring that, in an economic downturn, booking rates are maintained; they are making every effort to increase hall usage by encouraging repeat, mid-week and wedding bookings; they are also in the process of developing an equipment inventory register which will ensure that all equipment is fully accounted for at all times including those items loaned out to the venue hirers. The Management Team are enthusiastic and are continually looking to improve the services offered; they have been working with Internal Audit to address issues arising from this audit although it should be noted that any recommended changes to working practices will have an impact on administration resources. The following areas were identified as requiring further attention.

Terms and Conditions of hire to cover the two Civic Venues were found to be inconsistent and in some instances inaccurate with those for the hire of Kidderminster Town Hall for Weddings and Civil Partnerships. Charges were found to be inconsistent with those approved by Council and it was unclear as to how commercial judgement fees are being calculated; the Management Team are now revisiting the terms and conditions and the charging structure to ensure these inconsistencies are addressed. Tickets are being sold by the Town Hall on behalf of other organisations however, there was no procedure in place to receipt/reconcile these sales, this issue was addressed during the Audit and a transfer/reconciliation form has been introduced. The new electronic booking system proposed in 2008 has not been fully implemented; therefore prime records are manual documents which will need to be addressed in accordance with the corporate move towards an electronic records management system. The raising of invoices and the banking of income was found to be unduly delayed due in part to the administration of these functions being based at the Civic Centre in Stourport, away from the Kidderminster Town Hall base of the Civic Halls Management Team. Two significant areas were identified as requiring specific attention: Performing Rights Society (PRS) recharges and returns and the Grant Aid budgets having been exceeded in the last financial year were not being appropriately monitored for 2011~12. New working practices were discussed for implementation during the audit and these are included as management comments within the report.

Conclusion

On the basis of the work undertaken, the review has concluded that in some areas the systems in operation for the Management of Town and Civic Halls are operating effectively with a level of SOME assurance; however there are areas where there are opportunities for improvement and where risks could be reduced. At the time of the audit review, only **LIMITED** assurance could be given on the controls in place for the administration of the PRS fees/charges and application of Grant Aid as detailed in the report below. The Town & Civic Halls Management team acknowledged that all the following recommendations have resource implications. Following detailed discussions with the Civic Halls Manager and Deputy Manager following this review, Internal Audit can confirm that every effort is being and will continue to be made to address the issues detailed in order to raise the level of assurance. At the time of finalising this review, the issues regarding the allocation of grant aid have been addressed with evidence made available to Internal Audit.

AUDIT REPORT TITLE: Trading Estates & Property Debts 2011/2012 BUDGET: 2011~12 Customer Client Receipts Estimated (£170,800 Other Industrial Estates) (£133,030 Hoobrook Enterprise Centre) (£293,260 Other Property To Include Comberton Place) REF: P085 Industrial Estates & Other Property	DRAFT REPORT DATE ISSUED: 14 th December 2011 FINAL REPORT ISSUED: 17 th February 2012	SERVICE: Legal & Corporate Services 29.02.12 (Community Assets & Localism ~ 01.03.12) RESPONSE RECEIVED: Legal & Corporate Services - 3 rd February 2012 Resources Directorate - 14 th February 2012
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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

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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 review concentrated on ensuring that the procedures in place in respect of the administration of the Council’s Trading Estates and Property Debts and the processing of letting properties, rent valuations and collecting and banking of such rents are operating as intended.

The review comprised of selecting a sample of 10 Property Debt accounts and undertaking a detailed examination to ensure that there are legal tenancy documents for each letting which provide adequate information of income due and, where applicable, rent reviews are undertaken in accordance with the tenancy agreement. The 10 accounts were further examined to ensure that a subscription record is maintained on the Agresso Financial Management System (FMS) detailing the invoice period and amounts to be invoiced and verified to the legal tenancy documents; invoices are promptly and correctly raised and are followed-up when no payment has been received. Cancellations and write-offs for Property Debts were also examined to ensure they were justified, reasonable and authorised in line with Financial Regulations.

There is currently no comprehensive database with details of all the Trading Estates, land and commercial properties owned by the Council, which would enable rent reviews, lease renewals etc to be easily diarised and carried out promptly. There is, therefore, a risk that the reviews could be missed, potentially resulting in a loss of income to the Council. This is mitigated by the current property market being slow; lease renewals “roll-over” so the rents continue (although an opportunity to increase the rent may be missed) and rent reviews can legally, in accordance with the lease agreements, be carried out at a later date.

Following the identification of a rent review not actioned during the audit review, a change in working practices was introduced. There is not a checklist in operation to ensure the Administration Officer is informed of all amendments required to the subscription accounts on the Agresso Financial Management System.

The procedures in place to monitor and pursue outstanding / aged debts are well managed, with comprehensive documentation and an action log maintained.

Conclusion

On the basis of the work undertaken, the review has concluded that the controls in place in respect of the management of the Council’s trading Estates and Property Debts are operating well and are being managed effectively with the exception of an efficient database, therefore, there are some areas where there are opportunities for improvement.

The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place in respect of the Council’s Trading Estates and Property Debts are operating effectively. The implementation of the following recommendations will further strengthen the system in place and raise the level of assurance.

AUDIT REPORT TITLE: Journals 2011~12 (Part of Budgetary Control & Monitoring)	DRAFT REPORT DATE ISSUED: 29 th February 2012	SERVICE: Resources Directorate (Accountancy)
BUDGET: Various	FINAL REPORT DATE ISSUED: 2 nd April 2012	RESPONSE RECEIVED: 23rd March 2012
REF:		

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	Significant	High risk – urgent action needed

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	recommendation – provides partial assurance.		
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 sought to ensure that the system in place for journal transfers complied with control objectives; that each journal is uniquely referenced; includes adequate narrative explaining the transfer and are correctly authorised; that there is independent review of exceptions and the report tree, that Journals are not being actioned to prevent full authorisation of virements and that there is an independent review of suspense account and holding account balances.

The review comprised examination of the Council’s procedures for the raising and posting of journals to the Agresso Financial Management System (FMS). A sample of journals was checked to ensure that only authorised employees were creating them, with signatures confirming this. Once the journals are raised, checks were made to confirm that the transfers had been correctly posted into the Agresso (FMS). A report detailing journals raised and posted to Agresso (FMS) within Accountancy was checked to verify that they were reviewed by the Principal Accountant. It was found that it was not always possible to identify which authorised employee had certified the journal and in one instance a journal had not been signed at all.

From the examination of the suspense and holding accounts areas for improvement were identified. In particular the holding code for purchase order invoices (DUMMY99999) to ensure that the information held on the Agresso system is made available to the relevant employees with responsibility for monitoring this code this has lead to an advisory recommendation being added to the report. The error suspense account is monitored, it was however reported that the holding account for monitoring unknown income had not been reviewed since August 2011 due to resource issues. At the time of audit the Principal Accountant had already identified this and was addressing the issue. There were no matters arising from the testing undertaken on new account codes/cost centres to be allocated in the reporting trees at the end of the financial year. As is custom and practice, exception reports are not “cleared down” until the year end. Evidence was provided following the previous year end close down in June 2011 to confirm the process in place. Corresponding evidence will be made available to Internal Audit following the 2011~12 close down

Conclusion:

On the basis of the work undertaken, the review concluded that on the whole the internal controls in place for the raising and posting of Journals to the Agresso (FMS) system is well managed. However, there were opportunities for improvement for which the implementation of the following recommendations will further enhance the system. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place for this processing and reconciliations of Journals within the financial records.

AUDIT REPORT TITLE: Housing Benefits Reconciliation 2011/12 BUDGET: £42,249,640 Estimated Benefit Payments 11~12 REF: A280	DRAFT REPORT DATE ISSUED: 8 th March 2012 FINAL REPORT ISSUED: 12 th March 2012	SERVICE: Resources Directorate– Housing Benefits RESPONSE RECEIVED: 9 th March 2012
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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

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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

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 the Benefit payments raised via the Civica System are reconciled to the Agresso Financial Management System and that Benefits Debtors overpayments are reconciled the Agresso Financial Management System & Radius Cash Receipting System and that Benefit Arrears are monitored. Additional audit work was also undertaken on unrepresented cheques, committee reporting, the preparation of the initial and mid-term claims, data matching and a sample of fraud cases.

From the detailed assessment of the processes in place for the payments of Benefit and monitoring of overpayments operating within the Benefits Team it was found that the systems to be working effectively. The Arrears monitoring process is undertaken regularly and actions taken evidenced. Unrepresented cheques had been dealt with appropriately in accordance with agreed procedures and in a timely manner. The data matching exercises are undertaken in line with DWP requirements and form part of the Audit Commission National Fraud Initiative; from the sample of fraud cases examined a discrepancy was found with the filing of electronic documents, this however was addressed at the time of the audit. Examination of the initial & mid-term claims confirmed they had been completed and returned within the required time frame and all supporting evidence had been retained on file. Issues were identified regarding the accuracy checking of the claim assessments processed into the subsidy claim.

Conclusion

On the basis of the work undertaken, the review has concluded that the systems in place, within the Benefits team, for Benefits reconciliations are well managed however there are opportunities for improvement referring to the monitoring of the accuracy of benefit claims going forward in to 2012-13.

The overall conclusion therefore, is that **Some** assurance can be given that the internal controls in place within the system for the reconciliation of the Benefits Civica system to other Council Systems are operating effectively in this key system. It should be noted that currently the Benefits Section are undergoing an exercise in systems thinking, which will involve process changes and have major effects on the way the section operates.

AUDIT REPORT TITLE: Cash Income Reconciliation (Miscellaneous Income & Housing Act Advances) 2011-12		DRAFT REPORT DATE ISSUED: 23rd January 2012		SERVICE: Resources Directorate (Accountancy)	
BUDGET: Various		FINAL REPORT DATE ISSUED: 3rd February 2012		REPLY DATE; 24th January 2012	
REF:					
Assurance Levels	Definition	Recommendation Rankings	Definition		
Full	Robust framework of controls, any recommendations are advisory – provides	Advisory	Low risk – recommendation for		

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	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.

	consideration
Other	Medium risk - action required but not urgent
Significant	High risk – urgent action needed

Overview:

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review forms part of the Cash to Bank compliance testing and concentrated on the subsidiary systems of Miscellaneous Income (Holding Codes) and Housing Act Advances repayments both of which stand alone from other income streams reported under their respective system reviews.

The October 2011 income reconciliation for Housing Act Advances was selected for compliance testing to ensure all repayments had been receipted and reconciled against their respective Account, recorded within the Financial Records and independently reconciled to the Council's Bank Account. No errors were found.

Verification was undertaken on the half yearly outstanding balances to include the interest calculation. In some instances payments had not been recorded on summary of payments for all outstanding mortgages, also minor errors were identified within the formula calculations for recording individual payments which had on two accounts resulted in small differences in the six monthly interest calculations. Although not materialistic, the Principal Accountant was advised and the errors were acknowledged in order that they could be promptly addressed and this has been reported as Management Comments within the attached recommendation.

The detailed testing of miscellaneous income posted to holding codes was also undertaken in October 2011; the transaction lists were examined to ensure that all income receipted against a holding code had been correctly and promptly reallocated to the Agresso Financial Management System. No errors were found.

Conclusion:

On the basis of the work undertaken the review has concluded that the systems in operation for the processing of Miscellaneous Income payments into the Council's Agresso Financial Management System are working effectively. The processing of Housing Act Advance payments into the Council's Agresso Financial Management System is also working effectively however; immediate improvements are required in manual processes outside the Financial Management System. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place for the reconciliation of all miscellaneous income into the council's bank accounts

AUDIT REPORT TITLE: Council Tax Reconciliation 2011/2012 BUDGET £59,875,375 Gross Debit 2011/2012 REF: A270/R310	ACTION PLAN DATE OF ISSUE: 7th October 2011 DRAFT REPORT DATE ISSUED: 17th February 2012 FINAL REPORT DATE ISSUED: 7th March 2012	SERVICE: Resources Directorate (Revenues) RESPONSE DATE: 2nd March 2012
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Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.

Recommendation Rankings	Definition
Advisory	Low risk – recommendation for consideration

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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 there are regular reconciliations between the Council Tax (Civica – Open Revenues) system with the Agresso Financial Management System (FMS), the Radius Cash Receipting System, the Valuation Office Property Listings and that the Gross Debit reconciliation for 2011/2012 had been promptly undertaken. The review also concentrated on ensuring that there are adequate controls over the processes in place for the monitoring of Council Tax arrears & exceptions.

A detailed examination of the June and October 2011 reconciliations between the Council Tax system and the Agresso (FMS) and Radius systems was carried out to ensure the accuracy of the information recorded. In respect of the October reconciliation a difference of £154 between the daily banking records and the Civica system had been identified by the Principal Revenues Officer, however it was not possible to establish the reason for the difference as a result the reconciliation was not signed as completed until 17th January 2012. Four Valuation Office reconciliations were assessed for April, June, July and November 2011; these reconciliations were found to have been undertaken in a timely manner and each had been independently reviewed with supporting documentation for all entries. The Gross Debit reconciliation for 2011/2012 had been appropriately completed prior to the start of the financial year, which had identified an unexplained difference of £1607.71 which had been raised with Civica. The parameters had been independently reviewed as part of the Gross Debit Calculation following Council approval. Arrears monitoring and exception reports had been regularly reviewed. The performance indicators were reported to the Overview & Scrutiny Committee on 3rd November 2011.

Following the initial phase of testing which incorporated the gross debit calculation, June cash collection reconciliation and the Valuation Office listings up to and including July, an action plan was issued to the Revenues and Benefits Manager. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken where appropriate. Those observations arising from the initial testing were acknowledged with supporting evidence provided to the Internal Audit Team and are detailed below for completeness.

Conclusion:

On the basis of the work undertaken, the review has concluded that the systems in operation for the reconciliation and monitoring of Council Tax are working effectively with the reconciliations being undertaken regularly and appropriately reviewed. There were two areas identified for improvement in respect of the reconciliation of the Valuation Office Listing to the Gross Debit Calculation for the annual billing and the reconciliation of the Civic Council Tax system with the Agresso (FMS), with differences of £1607.71 and £154 respectively. In terms of materiality (gross debit of £59,875,375) these only form part of the detailed reconciliations that are undertaken throughout the year for which the following recommendations will further strengthen the system in place and raise the level of assurance. The overall conclusion therefore, is that **SOME** assurance can be given on the internal control processes in place for the reconciliation of Council Tax.

AUDIT REPORT TITLE: Corporate Creditors 2011/12 (Reconciliation and Systems)	DRAFT REPORT DATE ISSUED: 3 rd February 2012	SERVICE: Resources Directorate (Accountancy)
BUDGET: Various	FINAL REPORT ISSUED: 9 th March 2012	RESPONSE RECEIVED: 5 th March 2012
REF:		

Assurance Levels	Definition	Recommendation Rankings	Definition
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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.

Advisory	Low risk – recommendation for consideration
Other	Medium risk - action required but not urgent
Significant	High risk – urgent action needed

Overview

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review concentrated on ensuring that the controls in place over the system for the payment of the Council's creditors made via Accounts Payable within the Agresso Financial Management System are operating as intended. The review comprised examination to ensure that supplier accounts are set appropriately, system roles and responsibilities are adequately monitored, exceptions reviewed and that open orders are reviewed; also that the Council's reconciliation procedures are regularly undertaken,

It was recognised that the process in place for maintaining the system roles and responsibilities is an onerous task which requires regular attention. There are number of employees with system administer rights, this is not recommended good practice in the case of ICT security, the Financial Services Manager acknowledged and accepted this risk at the time of audit. Though there are a number of employees with system administrator rights only one employee is fully conversant with the role, in addition there is a lack of detailed system notes. As previously reported there are a large number of open orders within the Agresso (Accounts Payable) system which need to be cleared; if left uncleared these open orders may possibly have an effect on commitment accounting and reporting. The reconciliation processes within the Accountancy and Support Services Teams were working effectively however minor issues were identified within the Accountancy element of the information provided.

Advisory recommendations have been added regarding enhancing the information recorded against the creditor invoices. It has been identified that within the system for the set up of new supplier accounts there are areas where improvements could be made to ensure the supplier details held on the Agresso Financial Management System are relevant and accurate. It was observed that not all invoices are being forwarded directly to Duke House (Accountancy Team) and payments on occasion are being delayed. From 1st December 2011 all purchases of goods and services require orders to be raised; this should improve system delivery and payment processing. The information held on the Accountancy intranet page was found to be outdated.

It should be acknowledged that advancements have been made following on from the 2010/2011 review. The Accountancy Team are continually working with Internal Audit to address issues as and when they arise to ensure that the risks from process changes are identified, evaluated and minimised. During this time of transformational change working practices are being regularly reviewed to ensure that efficiencies are being achieved and business improvements enhance the service delivery.

Conclusion

On the basis of the work undertaken, the review has concluded that there are areas where there are further opportunities for improvement. The overall conclusion therefore, is that at this time **SOME** assurance can be given that the internal controls in place for the electronic ordering, processing and payment of the Council's Accounts Payable are operating effectively.

AUDIT REPORT TITLE: NNDR Compliance Testing 2011-12 BUDGET: £31,729,779 Gross Debit 11~12 REF:	ACTION PLAN DATE OF ISSUE: 29th September 2011 DRAFT REPORT DATE ISSUED: 23rd January 2012 FINAL REPORT DATE ISSUED: 14th February 2012	SERVICE: Resources Directorate (Revenues) RESPONSE DATE: 31st January 2012
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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.

Recommendation Rankings	Definition
Advisory	Low risk – recommendation for consideration
Other	Medium risk - action required but not urgent
Significant	High risk – urgent action needed

Overview

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review concentrated on ensuring that there are procedures in place for recording and processing a change in circumstance, that appropriate recovery action is taken and correct authorisation is obtained prior to write-off of National Non-Domestic Rates (NNDR) debts.

A sample of NNDR accounts with a change of circumstance was selected and examined in detail to ensure the effective date was recorded, charges were calculated using the correct NNDR Multiplier, small business rate relief / supplement and the period charge were calculated correctly and the rateable value was checked for accuracy to the Valuation Office's Rateable Value Listings.

A sample of NNDR accounts was selected at different stages of the recovery process and examined to ensure that correct recovery action is being taken in accordance with legislation. The detailed testing included verifying that arrears were promptly identified, recovery action had been taken in accordance with procedures and each stage of recovery recorded, accounts were debited with costs where applicable, arrangements to pay were in place and payments monitored and further action taken as required. There was one instance where the wrong account was closed. This was identified up at the time of the audit and brought to the attention of the Principal Revenues Officer whereupon it was promptly rectified.

The write-off report submitted to Cabinet 18th October 2011 was examined to confirm that write-offs were noted in accordance with the Financial Regulations 9.7 A schedule of write-offs authorised by the Director of Resources was examined to confirm that approval was given in accordance with the Scheme of Delegation of Officers (as approved 27th July 2011). One account from both the report and the write-off schedule was selected to confirm there was necessary documentary evidence to support the write-offs.

Conclusion

On the basis of the work undertaken, the review has concluded that the procedures in operation for the processing of change of circumstance, recovery action and write-offs within the NNDR system are working as intended and are well managed. The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place are operating effectively in the NNDR system.

AUDIT REPORT TITLE: NNDR Reconciliation 2011/2012
BUDGET: £31,729,779 (Gross Debit)
REF:

ACTION PLAN DATE OF ISSUE: 20th October 2011
DRAFT REPORT DATE ISSUED: 23rd January 2012
FINAL REPORT DATE ISSUED: 14th February 2012

SERVICE: Resources Directorate (Revenues)
RESPONSE RECEIVED DATE: 31st January 2012

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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.

Recommendation Rankings	Definition
Advisory	Low risk – recommendation for consideration
Other	Medium risk - action required but not urgent
Significant	High risk – urgent action needed

N.B. Assurance level for this system is highlighted.

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 there are regular reconciliations between the NNDR (Civica - Open Revenues) system and the Agresso Financial Management System (FMS), the Radius Cash Receipting and the Valuation Office rateable value listings and that the Gross Debit reconciliation for 2011/2012 had been promptly undertaken. The review also concentrated on ensuring that there are adequate controls over the processes in place for the completion of the NNDR1 return and the monitoring of NNDR arrears and exceptions.

A detailed examination of the June and October 2011 reconciliations between the NNDR system and the Agresso (FMS) & Radius systems was carried out to ensure the accuracy of the information recorded; there is a difference of £55 between the daily bankings recorded on the two systems. Four Valuation Office reconciliations from each of the 2005 & 2010 Rating Lists and 2 from each of the 1995 & 2000 Lists were assessed dating from April to November 2011; these reconciliations were found to have been undertaken in a timely manner and each had been independently reviewed with supporting documentation for all entries. There is a difference of £3,900 between the NNDR system and the 2010 Rating List, which is currently under review with the Valuation Office. The above differences had been identified by the Principal or Senior Revenues Officer as part of their routine reconciliations. The NNDR1 return for 2011/2012 had been completed and returned within the required time frame (February 2011). The review of the accuracy for the parameters set in the Civica system prior to the annual billing run is evidenced by the Revenues & Benefits Manager and the Principal Revenues Officer. Arrears monitoring and exception reports had been regularly reviewed and evidenced by the appropriate officer. The performance indicators were reported to the Overview & Scrutiny Committee on 3rd November 2011.

Following the initial phase of testing which incorporated the gross debit calculation, June reconciliations and the NNDR1 return, an action plan was issued to the Revenues and Benefits Manager. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken where appropriate. Those observations arising from the initial testing were acknowledged with supporting evidence provided to the Internal Audit Team and are detailed below for completeness.

Conclusion

On the basis of the work undertaken, the review has concluded that the systems in operation for the reconciliation and monitoring of the NNDR system are working effectively with the reconciliations being undertaken regularly and appropriately reviewed and signed in a timely manner. There were some areas identified for improvement in the recording of any additional work undertaken as evidence that differences detected during reconciliations are followed up, for which the following recommendations will further strengthen the procedures in place. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place for the reconciliation of the NNDR.

AUDIT REPORT TITLE: Payroll Audit 2011-12 BUDGET: £45,000 (RBC~SLA Only) £6,6639,251 Estimated Net Payroll 2011/12	ACTION PLAN: 20th September 2011 DRAFT REPORT DATE ISSUED: 25th January 2012 FINAL REPORT/ASSURANCE STATEMENT ISSUED:	SERVICE: Redditch Borough Council (21.3 of SLA) Resources Directorate ~ Accountancy
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Agenda Item No. 7

REF: VARIOUS		8 th March 2012	RESPONSE RECEIVED: 7 th March 2012	
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. Both Human Resources and Payroll services are provided by external suppliers, Worcestershire County Council and Redditch Borough Council respectively. The review sought to ensure that the WFDC payroll, processed by Redditch Borough Council, was correct and accurate. The Service Level Agreement between Wyre Forest District Council and Redditch Borough Council provide for the audit of the service to be undertaken by the Internal Audit Team of Wyre Forest District Council (21.3) and that the outcome of the audit should be reported to the Director of Resources (RBC) for information.

The review examined the control sheet reconciliations, exception reporting and the system parameters. Verification was made on a selection of salary payments made in the May and October 2011 payrolls to ensure they were accurate, processed correctly and in a timely manner. All starter and leaver forms (April to October) were checked to ensure that they had been appropriately updated onto the CHRIS 21 payroll system. Following the May testing an action plan was issued to the Redditch Borough Council Financial Services Manager. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. With the knowledge that the initial testing was undertaken at an early point after the transfer, the Financial Services Manager (RBC) has advised that additional knowledge and training has now been passed on to the other team members to assist with processing Wyre Forest District Council payroll. The Payroll Manager for the Wyre Forest District Council payroll has since responded to the Action Plan and these comments are included within the observations contained in the report for completeness. Of the observations arising it was found that travel claim forms had been incorrectly paid and in some instances paid to the wrong employees. Input documents had not been stamped ‘PAID’ to evidence that they had been processed and there was nothing on the exceptions report to evidence which exceptions had been reviewed. The October 2011 testing included two employees who had transferred into Economic and Regeneration under a TUPE agreement, Internal Audit were unable to verify the accuracy of the payments made to these employees as WFDC do not hold the employees historic payroll files.

Conclusion/Assurance Statement:
 This report specifically concentrated on the services delivered by Redditch Borough Council under the Service Level Agreement and has concluded that there are some areas where there are opportunities for improvement and where risks could be reduced. At the time of the audit review, **SOME** assurance could be given on the controls in place for the administration of the Wyre Forest District Council payroll by Redditch Borough Council as detailed in the report below.

Signed: _____ **T. Southall Acting Section 151 Officer**
Date: _____

AUDIT REPORT TITLE: Payroll Audit 2011/12 {Compliance & Reconciliation}	ACTION PLAN: 14 th September 2011 DRAFT REPORT ISSUED: 25 th January 2012	SERVICE: Resources Directorate ~ Accountancy (Payroll) RESPONSE RECEIVED: 23 rd March 2012
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BUDGET: £6,639,251 Estimated Net Payroll 2011/12		FINAL REPORT ISSUED: 2nd April 2012	
REF: VARIOUS			
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 also sought to ensure that all input documents processed by WFDC were correct and refer to bona fide employees; that a monthly reconciliation is undertaken between the CHRIS 21 payroll system, the Agresso Financial Management system and the Council’s Bank Account. Both Human Resources and Payroll services are provided by external suppliers, Worcestershire County Council and Redditch Borough Council respectively, therefore, observations made in reference to the establishment and payroll processing to be addressed by Worcestershire County Council and Redditch Borough Council will be reported under separate reports. The payroll control reports were examined for the months of June and October 2011 and reconciled to the Agresso Financial Management System and Council’s Bank Account. It was found that both reconciliations were accurate and had been completed in a timely manner. Testing was undertaken on 22 employee’s salary/members payments over the financial year, ensuring that payments were made correctly to bona fide employees. A check was undertaken to ensure that all input documentation processed by WFDC was accurate and processed in a timely manner. Detailed compliance testing was undertaken on the May and October 2011 payroll runs. Following the initial phase of testing in May an action plan was issued to the WFDC Financial Services Manager. 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. Those recommendations actioned following the issue of the action plan are detailed below for completeness. It should be noted that Overtime forms were not being signed to evidence that they had been verified by WFDC before being passed to the Redditch BC Payroll Team for processing. However following the action plan prompt remedial action was taken by the Accountancy Team to address this matter. Further detailed testing was also undertaken on a sample of travel/subsistence and overtime claim forms processed for payment in November 2011 to ensure that claims were in accordance with approved procedures and that October hours worked had been correctly recorded. Of the observations arising from the testing, it was established that the contracts, allowance and deduction instructions were available and correct and that the payments made were accurate with the exception of two employees. These employees had transferred to WFDC under a TUPE arrangement from Bromsgrove and Redditch Councils; at the time of audit their personnel/payroll files had not been transferred to WFDC and it was therefore not possible to confirm the accuracy of their allowances and deductions. From the additional testing undertaken on the travel claim forms it was observed that some forms were being amended but the amendments were not being appropriately signed to evidence who had made them. In addition, in some instances a narrative was not being included where subsistence only was being claimed as is required by the guidance available to employees. Members travel claim forms are checked by the Members Secretary however, they are not being independently authorised by the Democratic Services Manager. This has been raised with the Democratic Services Manager. Both the WFDC Payroll and Administration teams have worked with Internal Audit to address the issues arising and it is intended that any recommended changes to working practices will have a minimum impact on current/future resources.

Conclusion:

Following the transfer of the Human Resources Service to the County Council in November 2010 and the Payroll Services to Redditch Borough Council from 1st April 2011, this report concentrated specifically of the Payroll service delivered by WFDC and has concluded that the areas assessed during the 2011-12 audit were generally found to be effective and in particular the monthly reconciliations were being undertaken promptly. However there are areas where there are opportunities for improvement and where risks could be reduced. At the time of the audit review, **SOME** assurance could be given on the controls in place for the administration procedures in place for the processing of travel claims in particular as detailed in the report below.

SECTION 2

Quarter Report to the 31st March 2012
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	
RESOURCES DIRECTORATE							
Budgetary Control & Monitoring	K	S	2	2	-	-	

SECTION 3

<u>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st MARCH 2012</u>		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
<u>CORPORATE</u> Debtors 2011~12	27.02..12	Final Report 07.06.12
<u>COMMUNITY WEEL-BEING & ENVIRONMENT</u> Cash to Bank (Worcestershire Hub) 2011~12	29.02.12	Final Report 20.04.12
<u>RESOURCES</u> Benefits (Reconciliations ~Accountancy) 2011~12	29.02.12	Final Report 07.06.12

SECTION 4

INTERNAL AUDIT

PERFORMANCE AGAINST ANNUAL PLAN FOR THE FINANCIAL YEAR 2011/12

Quarter ended 31ST March 2012

1st April to 31st March 2012

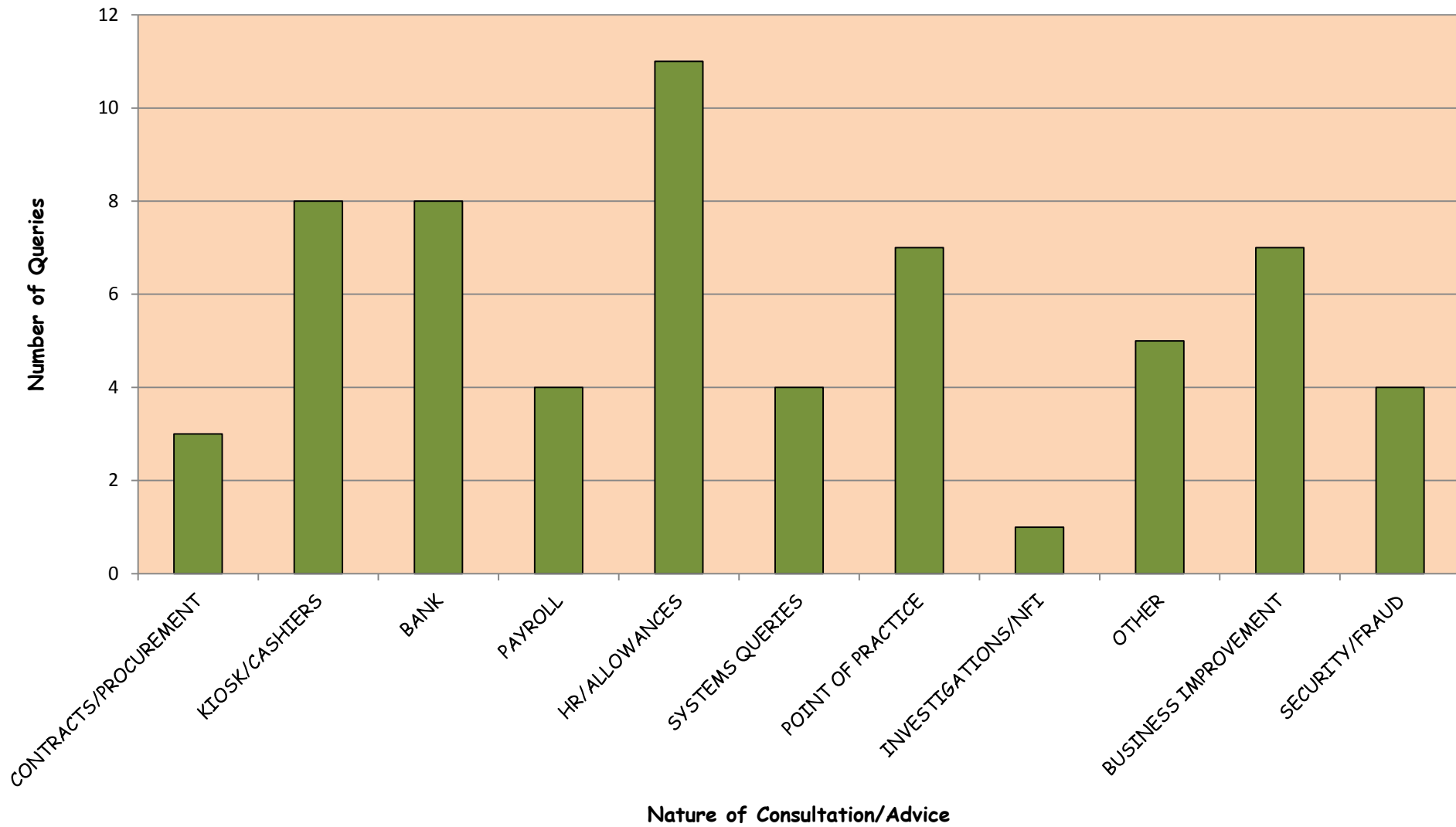
	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>		<u>Year Actual</u>	<u>Annual Plan</u>	<u>Year to Date Actual as a % of Plan</u>
	<u>Days</u>	<u>Days</u>	<u>%</u>		<u>Days</u>	<u>Days</u>	<u>%</u>
System and Probity	104.25	85.00	122.65%	System and Probity	399.50	340	117.50%
Computer Audit	1.00	16.25	6.15%	Computer Audit	25.75	65	39.62%
Contract Audit	5.75	10.00	57.50%	Contract Audit	20.00	40	50.00%
Consultancy and Advice	9.00	10.00	90.00%	Consultancy and Advice	45.25	40	113.13%
Irregularity	6.00	10.00	60.00%	Irregularity	17.50	40	43.75%
Specific Service Duties	6.75	3.75	180.00%	Specific Service Duties	22.25	15	148.33%
Sub Total	132.75	135.00	98.33%	Sub Total	530.25	540	98.19%

TARGET 95.00%

Audit Resource Statistics

For the quarter to 31st March 2012 actual against plan is **98.1 %** compared to a target of **95%**. Within the time allocated in the above table, during this fourth quarter of 2011~12 the Internal Audit Team has responded to 62 requests for advice and consultancy to include 1 investigation as detailed below:-

Summary of Audit Advice - January to March 2012



SECTION 5

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. In view of the findings arising from the detailed review of the Establishment process for 2011/12, Interim Reports were issued to the Director of Community Assets and Localism in order that prompt remedial action could be taken on the observations arising. The full outcome of this review will be included within the Monitoring Report to the Audit Committee in September 2012.

<u>WORK IN PROGRESS AS AT 31ST MARCH 2012</u>		
AUDIT REVIEW	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2
Creditors Compliance 2011~12	12.01.12	~
<u>INTERIM REPORTS ISSUED AS AT 31ST MARCH 2012</u>		
Payroll ~ Establishment Data Base 2011~12	23.01.12	~
Payroll ~ Staff Record Forms 2011~12	23.01.12	~

SECTION 6

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 PERIOD 1ST APRIL 2011 TO 31ST DECEMBER 2011 - KEY SYSTEMS	
QUARTER ENDED 30TH JUNE 2011	ASSURANCE
CORPORATE	
Debtors 2010~11	S
COMMUNITY ASSETS & LOCALISM	
Xpress Solutions (Elections) Computer Application 2010~11	S
RESOURCES	
Agresso (Financial Management System) Computer Application 2010~11	S
Benefit Reconciliations 2010~11 (Accountancy)	S
Benefit Reconciliations 2010~11 (Revenues & Benefits)	S
MOT Testing Station 2010~11	S
Payroll ~ Establishment & Compliance 2010~11	F
QUARTER ENDED 30TH SEPTEMBER 2011	
COMMUNITY WELL-BEING & ENVIRONMENT	
Performance Management & Data Quality 2010~11	S
RESOURCES	
Payroll ~ Establishment Verification (Human Resources) 2010~11	F
Payroll ~ Reconciliations 2010~11	S
Payroll ~ Transfer Review (Establishment/Payroll Records) 2011	F
VAT 2010/11 ~ 2011/12	F
QUARTER ENDED 31ST DECEMBER 2011	
COMMUNITY ASSETS & LOCALISM	
Payroll Compliance & Establishment ~ Members 2010~11	S
RESOURCES	

FINAL AUDIT REPORTS ISSUED IN THE PERIOD 1 ST APRIL 2011 TO 31 ST DECEMBER 2011 - KEY SYSTEMS	
Bank Reconciliations 2011~12	F
Benefits Compliance Testing 2011~12	S
Budgetary Control & Monitoring 2010~11	S

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
MONDAY 25th JUNE 2012**Annual Report from the Section 151 Officer – 2011/12**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	S151 Officer/Resources
CONTACT OFFICERS:	Tracey Southall, Extension 2125 tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Annual report from the Section 151 Officer – 2011/12

1. PURPOSE OF REPORT

- 1.1 To inform members of the Annual Report from the Section 151 Officer for 2011/12.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee is asked to APPROVE the Annual report from the Section 151 Officer for 2011/12 attached as Appendix 1.**

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, since it is an independent appraisal function for the review of the entire internal control system.

A definition of Internal Audit given by The Chartered Institute of Public Finance and Accountancy (CIPFA) is:

“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.”

- 3.2 The approved Terms of Reference for Internal Audit require that the Section 151 Officer prepare an Annual report to the Audit Committee. This report should:
- include an opinion on the overall adequacy and effectiveness of the Council’s internal control environment
 - disclose any qualifications to that opinion, together with the reasons for the qualification

- present a summary of the audit work undertaken to formulate the opinion
- draw attention to any issues the Section 151 Officer judges particularly relevant to the preparation of the statement on internal control
- compare the work actually undertaken with the work that was planned
- comment on compliance with the standards included in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom as appropriate.

3.3 The opinion is a personal opinion of the Section 151 Officer on the overall adequacy and effectiveness of the Council’s internal control environment and as last year the view has been taken that there are three categories which are:

Satisfactory
Satisfactory, with reservations
Improvement required

4. KEY ISSUES

- 4.1 It is a statutory requirement that this Council has an Internal Audit service as part of its Corporate Governance framework.
- 4.2 An Annual Governance Statement is required to be published with the Council’s Annual Statement of Accounts which is required to be signed by the Leader of the Council and the Chief Executive. The Annual Report from the Section 151 Officer contributes to the evidence necessary in order for this statement to be prepared.
- 4.3 The Accounts and Audit (England) Regulations 2011 requires the Council to conduct a **review of the effectiveness of Internal Audit**. The Annual Report from the Section 151 Officer provides evidence in respect of this requirement.
- 4.4 Internal Audit make recommendations to management to improve the internal control environment of the system being reviewed. It is management’s responsibility to take the necessary action to implement agreed recommendations included in final internal audit reports.
- 4.5 The approved Terms of Reference for Internal Audit require that an annual report is prepared by the Section 151 Officer covering the items detailed in paragraph 3.3 and this is attached as Appendix 1.
- 4.6 The numbers of the conclusions arising from internal audit reviews for 2011~12 with those of the previous year is as follows:

		KEY SYSTEMS <u>Assurance Level</u>			SUBSIDIARY SYSTEMS <u>Assurance Level</u>			TOTAL
		Full	Some	Limited	Full	Some	Limited	
2011-12	Number	6	28	2	5	0	0	41
	%	14.6	68.3	4.9	12.2	0.00	0.00	100
2010-11	Number	10	26	1	2	1	1	41
	%	24.3	63.4	2.5	4.8	2.5	2.5	100

- 4.7 The results of this table give an overall perspective only with the knowledge that some audit reviews of both key and subsidiary systems can range from a very large and complicated system to a very straightforward one. Therefore direct comparison of numbers and related percentages should not be taken in perspective.
- 4.8 During 2011/12 Internal Audit have sought to further progress work with other Sections/Directorates to provide advice and assistance on the implementation of recommendations and action. As a result, measures have been put into place to facilitate a more timely, proactive approach to improving systems and it is fair to conclude that there has been an improvement in control which has been enhanced by the introduction of Action Plans issued during the course of audit reviews. The aim of the Action Plans has been to enable Managers to react to observations with prompt remedial action which can be evidenced during the audit review and lead to an improved final audit assessment.
- 4.9 The annual report in Appendix 1 also covers a review of the effectiveness of Internal Audit required by the Accounts and Audit (England) Regulations 2011. CIPFA guidance indicates that compliance with the CIPFA Code of Practice is a useful tool for assessing the effectiveness of Internal Audit. A report detailing compliance with this Code was presented to the Audit committee on the 29th June 2009.
- 4.10 The CIPFA code details that an effective internal audit section should aspire to:
- Understand the whole organisation
 - Understand its position with respect to the organisation's other sources of assurance and plan its work accordingly
 - Be seen as a catalyst for change at the heart of the organisation
 - Add value and assist the organisation in achieving its objectives
 - Be forward looking
 - Be innovative and challenging
 - Help to shape the ethics and Standards of the organisation
 - Ensure the right resources are available in the section – recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
 - Share best practice with other auditors
 - Seek opportunities for joint working with other organisation's auditors.
- 4.11 The review of Internal Audit effectiveness is not about process. The focus of the review is in respect of the delivery of the Internal Audit Service to the required standard in order to produce a reliable assurance on internal control in operation in the council's practices and procedures – in essence the need for the review is to ensure that the opinion given in Appendix 1 may be relied upon as a key source of evidence for the annual review of internal control.
- 4.12 It is the opinion of the S151 Officer, that it is **satisfactory**; this is detailed within Appendix 1.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

6. LEGAL AND POLICY IMPLICATIONS

6.1 The Accounts and Audit (England) Regulations 2011 section 4 (2) require that:

“The relevant body (the Council) must conduct a review at least once in a year of the effectiveness of its system of internal control.”

This report contributes to the preparation of the Annual Governance Statement which is considered elsewhere on the agenda of this committee.

6.2 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 the proper practices in relation to internal control.”

This is the statutory requirement that this Council has an Internal Audit service.

6.3 The Accounts and Audit (England) Regulations 2011 section 6(3) require that:

“The relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit”.

The annual report attached as an appendix to this report forms part of this review.

7. RISK MANAGEMENT

7.1 It is a statutory requirement that the Council undertakes 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. Further it is a statutory requirement that the council shall at least once in each year conduct a review of the effectiveness of its internal audit.

7.2 The Internal Audit Section operates in accordance with proper practice in line with the CIPFA Code of Practice in Local Government and its approved terms of reference.

7.3 This report summarises the work undertaken by the Internal Audit Section for the 2011/12 financial year, it is assumed that External Audit have been able to place reliance on this work and that the annual report has been provided in accordance with the Internal Audit Section’s approved Terms of Reference.

7.4 Corporate Risk Management forms part of the Councils processes as reported to this committee on 12th March 2012. This assists with the maintenance and development of the council’s internal control environment.

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. CONCLUSIONS

- 9.1 The Annual Report - 2011/12 provides an opinion from the Section 151 Officer, on the adequacy and effectiveness of the Council's internal control environment arising from the completion of Internal Audit reviews.
- 9.2 This opinion is based on the work undertaken by the Internal Audit Section in accordance with the approved Annual Audit Plan for 2011/12. This report is presented to members in accordance with the Terms of Reference for the Internal Audit section approved by the Council.
- 9.3 Overall it has been concluded that the internal control environment has seen improvement during 2011/12.
- 9.4 A review of the effectiveness of internal audit for the financial year 2011/12 has been undertaken in accordance with current guidelines.

10. CONSULTEES

- 10.1 Corporate Management Team.

11. BACKGROUND PAPERS

- 11.1 16th March 2009 ~ Audit Committee ~ Strategic Audit Plan 2009~2012.
29th June 2009 ~ Audit Committee ~ Cipfa Code of Practice Checklist.
14th March 2011 ~ Annual Audit Plan 2011~12 ~ Revised 29th September 2011.
29th June 2011 ~ Audit Committee ~ Internal Audit Terms of Reference ~ Update.
Accounts and Audit (England) Regulations 2011 (SI 817).
12th March 2012 ~ Risk Management Report.

WYRE FOREST DISTRICT COUNCIL**ANNUAL REPORT FROM THE SECTION 151 OFFICER – 2011/12****Internal Control Environment**

The Council's Financial Procedure Rules (Financial Regulations) No. 1.3 state that it is the responsibility of Chief Officers (members of the Council's Corporate Management Team) to ensure that adequate internal controls are in place in their areas of responsibility. These internal controls include those to prevent and detect fraud.

The work of the Internal Audit Section relating to the financial year ended 31st March 2012 has been undertaken in accordance with the approved Audit plan 2011/12. The work undertaken has met the requirements of the Council's External Auditors. This work has been undertaken in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

The results of this work have been reported to the Audit Committee in quarterly reports on the 29th September 2011; 12th December 2011; 12th March 2012; and 25th June 2012. These reports include a summary of the work undertaken in each quarter.

The internal control weaknesses identified from final and draft reports relating to the 2011/12 financial year have been considered in the preparation of this annual report.

A comparison of the work actually undertaken with the work that was planned by audit type is as follows:

Year ended 31st March 2012

	Plan Days	Actual Days	Actual as % of Plan %
System and Probity	340	399.50	117.50%
Computer Audit	65	25.75	39.62%
Contract Audit	40	20.00	50.00%
Consultancy and Advice	40	45.25	113.13%
Irregularity	40	17.50	43.75%
Specific Service Duties	15	22.25	148.33%
SUB TOTAL	540	530.25	98.19%

ANNUAL REPORT FROM THE SECTION 151 OFFICER –2011/12 (CONTINUED)

Internal Control Environment (Continued)

From the work undertaken by internal audit for the 2011/12 financial year overall the adequacy and effectiveness of the Council's internal control environment is considered to be:

Satisfactory

The conclusion on each Internal Audit review is based on the observations identified together with the recommendations made to improve the operation of the internal controls of the system under review. Of the recommendations arising from the reports issued in 2011/12 and subject to a 3 month follow up review, overall **84%** of the recommendations had been implemented with immediate effect with the remainder under in progress.

It is drawn to the Audit Committee's attention that the following reports also provide information on the Council's internal control environment:

- The Council adopted the CIPFA/SOLACE Corporate Governance Framework in March 2008. Subsequently the implementation has been subject to reviews the latest of which was considered by the Audit Committee on 12th March 2012, where it was identified that the implementation was substantially complete.
- The findings and recommendations of the External Audit's Annual Audit Letter reported to the Audit Committee 12th December 2011. The audit did not identify any significant weaknesses in internal control arrangements. The main findings include:
 - Over the next two years the Council must reduce costs to a level where there is a fully balanced budget, if the Council is to have financial resilience in the medium term.
 - The Cabinet needs a clearer strategy on how it will communicate and implement any changes arising from Wyre Forest Forward if it is going to deliver the necessary savings in the required time frame.
 - As the Council makes changes to fees and charges, it should develop its forecasting and profiling to support the increased risks around income.
 - Members should be satisfied that they have sufficient information on savings plans to be able to effectively monitor and challenge these.
 - The corporate risk register should be developed into more of a working tool, to support the leadership to focus on key risks and how they are being managed.

ANNUAL REPORT FROM THE SECTION 151 OFFICER –2011/12 (CONTINUED)

Review of the effectiveness of the system of internal audit

Work has been undertaken in accordance with the approved Internal Audit plan for 2011/12 and **98.1 %** of this plan has been completed by June 2012. Internal Audit reports have been reported to members of the Council's Corporate Management Team and the Audit Committee.

The approved Audit Plan is a statement of intent and has been subject to monitoring throughout the year. Those audits considered to be of highest priority for example relating to Key Financial Systems have been completed and reported upon.

The work of the Internal Audit section is undertaken in accordance with the CIPFA Code of Practice and procedures are continually reviewed and refined in order to ensure compliance.

The External Auditors review the files and reports of the Internal Audit Team. An assessment is made by the External Auditors as to the extent that **reliance** can be placed on the work of Internal Audit each year as part of their audit of the Council's annual financial statements. For 2011/12 it is assumed that the External Auditors have again been able to place full reliance on the internal audit work to support their conclusions.

In accordance with guidance on the requirements of the Accounts and Audit (England) Regulations 2011 on the review of the effectiveness of Internal Audit a survey of Employees as users of the Internal Audit Service has been undertaken. This survey, was undertaken in March 2012. The questionnaire was distributed to all employees. A total of **34** responses were received which included Employees whose Service Area had been subjected to an audit review during 2011/12. Feedback is also obtained at the conclusion of each audit review from the recipients of the internal audit service.

Overall the responses have been found to be constructive and the views will contribute to help continually improve the Internal Audit Service. An area for continuing improvement from the Annual Survey was noted in relation to the planning and timing of audit reviews to accommodate Service Directorate workloads throughout the year.

As in previous years, the survey highlighted that the Internal Audit Team is continuing to work well with their customers, being approachable and able to support employees with **88%** who have sought advice of/assistance from the Internal Audit Team, rating the service during 2011/12 as "Satisfactory→Good".

As previously reported, Customers are requesting more written feed back during the audit reviews. In order to meet these Customer needs, action plans were introduced as part of the audit process. The aim of these plans is to advise Managers of any matters arising during the review as soon as possible, in a timely manner in order that they can be addressed promptly and remedial action taken. These proved successful, enabling Managers to be able to put any recommended controls in place promptly.

In addition, **80%** of those who have had contact with the Internal Audit Team during 2011/12 considered that the overall assessment of the Internal Audit Service as "Satisfactory→Good" with 20 % as overall adequate.

Overall 62% of those who responded to the questionnaire considered that the contribution of the Audit Team in assisting the Council to achieve it's objectives as

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“Satisfactory→Good”. The survey did identify the need for the Internal Audit Team to raise awareness of its role across for all colleagues.

The matters reported here indicate that my report given in Appendix 1 may be relied upon as a key source of evidence in the annual review of internal control.

Joanne Wagstaffe/Tracey Southall

Section 151 Officer

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
MONDAY 25th JUNE 2012**Annual Governance Statement**

SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources Ext 2100 joanne.wagstaffe@wyreforestdc.gov.uk tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICERS:	Financial Services Manager Ext 2125 tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Annual Governance Statement 2011/12 Appendix 2 - Annual Governance Statement Action Plan 2011/12

1. PURPOSE OF REPORT

- 1.1 This report is to approve the Annual Governance Statement declaring the degree to which it meets the Governance Framework for inclusion within the Statement of Accounts.

2. RECOMMENDATION

- 2.1 **The Audit Committee is asked to approve:**

The Annual Governance Statement attached at Appendix 1 and the Annual Governance Statement Action Plan at Appendix 2.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2003 (as amended) require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government:: The Framework".
- 3.3 The Audit Committee approved the adoption of the CIPFA/SOLACE code at the meeting on the 17 March 2008 and the subsequent reviews on the implementation on 15 March 2010, 14 March 2011 and 12 March 2012.

- 3.4 In relation to the 2011/12 Annual Governance Statement it is proposed to use existing processes in relation to the review of the control system, collation of information and compilation and monitoring of the Annual Governance Statement.

4. KEY ISSUES

- 4.1 In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:

- Internal Audit reports, following the annual report from the S151 Officer,
- External Audit reports;
- Assurance Statements completed by senior staff;
- Corporate Risk Register;
- External Inspection findings including;
- Other relevant information.

- 4.2 Following consideration by the Corporate Management Team the Annual Governance Statement is now presented to the Audit Committee for approval, prior to the signing by the Chief Executive and the Leader of the Council.

- 4.3 The draft Annual Governance Statement for 2011/12 is shown at Appendix 1, this document has been prepared in line with the CIPFA/SOLACE guidance.

- 4.5 The Annual Governance Statement Action Plan for 2011/12, setting out how we propose to address the significant governance issues identified in Appendix 1, is attached at Appendix 2.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications relating to this report.

6. LEGAL & POLICY IMPLICATIONS

- 6.1 It is a requirement under the Accounts and Audit Regulations 2003 (amended 2006 & 2011) that the Council prepares an Annual Governance Statement.

7. RISK MANAGEMENT

- 7.1 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.

8. CONCLUSION

- 8.1 The Council is required to complete an Annual Governance Statement which is required to:

- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement
- Consider the robustness of the Authority's governance arrangements

- Monitor any actions arising from the review of arrangements.

8.2 The final statement is submitted to the Audit Committee for approval on 25th June 2012.

9. CONSULTEES

9.1 Corporate Management Team.

10. BACKGROUND PAPERS

10.1 CIPFA Finance Advisory Network The Annual Governance Statement Meeting the requirements of the Accounts, Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulations 2006 Rough Guide for Practitioners with effect from 2007/8, 2011Accounts and Audit Regulations and SI 817.

10.2 DCLG Circular 03/2006.

10.3 Delivering Good Governance in Local Government CIPFA/SOLACE.

10.4 Code of Practice for Internal Audit in the UK CIPFA 2006.

Wyre Forest District Council
Annual Governance Statement – 2011/12

Scope of Responsibility

Wyre Forest District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Wyre Forest District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Wyre Forest District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Wyre Forest District Council has adopted the code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, and has implemented this framework during the last year. A copy of the code is on our website at www.wyreforestdc.gov.uk or can be obtained from The Worcestershire Hub at Wyre Forest, Wyre Forest Customer Services Centre at the Town Hall, Kidderminster. This statement explains how Wyre Forest District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wyre Forest District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The governance framework has been in place at Wyre Forest District Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

The Governance Framework

This is defined as ‘the systems by which local authorities direct and control their functions and relate to their communities’.

The key elements of the Council’s systems and processes that comprise the authority’s governance arrangements are as follows. These arrangements have been implemented to provide a robust framework to deliver good governance. A review was undertaken based upon the six core principles of governance approved by the Audit Committee on 12 March 2012, which are:

1. Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

Delivery

The Council delivers these outcomes through:

- Annually reviewing local procedures and practices, which together create the framework for good corporate governance as described in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.
- Producing an Assurance Statement on the extent to which the local code has been adhered to and the actions required where, adherence has not been achieved.
- During 2011/12 the Council made a commitment to ‘Systems Thinking’ - Systems Thinking focuses on delivering exactly what the customer wants and at the first point of contact. This approach empowers staff to transform their whole service around the customer and thereby improve performance and eliminate waste. Systems Thinking complements and contributes to the delivery of good governance; significant work has been completed, led by the Corporate Management Team, on the redefinition of the purposes of the council, measures for checks on the successful of the delivery of these purposes and leadership of purposes and values. This work strengthens the delivery of good governance.

Review of Effectiveness

Wyre Forest District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Management Team within the authority, which has responsibility for the development and maintenance of the governance environment, the section 151 Officer's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council process for maintaining and reviewing the effectiveness of the governance framework includes:

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the external auditors and other review agencies and inspectorates.

A review undertaken for the 2011/12 statement was carried out by the Corporate Management Team on 7th June 2012. This review took into account:

- the Annual report from the s151 Officer – 2011/12 reported to the Corporate Management Team on the 7th June 2012 and considered by the Audit Committee on 25th June 2012;
- comments of other review agencies, inspectorates and external bodies;
- the findings and recommendations of the External Audit's Annual Audit & Inspection Letter reported to the Audit Committee on 12th December 2011;

All Councillors and Officers of the Council adhere to the Constitution and codes of conduct. The duty to ensure compliance is predominantly the responsibility of the Council's three statutory officers:

- Head of the Paid Service (Chief Executive)
- Monitoring Officer (Director of Community Assets Localism)
- Chief Financial Officer (Director of Resources)

The constitution is under constant review, to ensure that it remains fit for purpose.

The Audit Committee is the member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters.

The Council's Director of Resources has the overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all of the Council's systems and produce reports containing recommendations for improvement wherever necessary, in line with their 3-year audit plan (2012-15). The Council's Internal Audit operates using the CIPFA Code of Practice Standards 2006.

External audit reports are reviewed and considered by the Audit Committee and the Council's Management Team. In addition to this, the Council is also subject to formal review by other inspectorates, these reviews are considered by the Council's Cabinet.

The authority has been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of systems is shown below.

Significant Governance Issues

The main issues, which are being or need to be addressed during the coming year, include:

- Completion and occupation of the New Headquarters project to ensure that the Council achieves Value for Money in its accommodation requirements;
- Continued priority to be given to the on-going recovery of the Council's "Icelandic" investments;
- Further development of the Corporate Risk Register as a working tool to support the leadership to focus on the management of key risks;
- Continued progression with the Wyre Forest Forward programme and associated Transformation projects, including an effective communication strategy and the robust monitoring with the opportunity to challenge as appropriate, against savings plans ;
- Maintaining financial resilience by securing approval of a medium term Financial Strategy with a fully balanced budget, taking into account the challenges presented by the Local Government Resource Review, including further work around forecasting and profiling of income.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our annual review.

Signed: Leader & Chief Executive

Annual Governance Statement 2011/12 –Action Plan as at 25 June 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>2011/12 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.</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 Management 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.</p>
		<p>Completion and Occupation</p>	<p>July 2012 handover Sept 2012 Occupation</p>	<p>Chief Executive</p>	<p>Scheduled for handover in July and phased occupation September.</p>

Annual Governance Statement 2011/12 –Action Plan as at 25 June 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	2011/12 No. 2	Continue to monitor and keep Members briefed on the recovery of Icelandic Investments	On-going Monthly reports to Council	Director of Resources	To date almost 60% recovered from all three investments. 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. Two dividend payments in respect of Landsbanki now received.
Full implementation of the review of the Council's Corporate Risk Register;	2011/12 No. 3	Review Risk Register and report to the Audit Committee Further development as a working tool to support leadership to focus on the management of key risks.	CMT quarterly Audit Committee half yearly	Director of Resources	The Corporate Risk Register has been reviewed with the assistance of Zurich Municipal. This is monitored quarterly by CMT and reported half yearly to the Audit Committee.

Annual Governance Statement 2011/12 –Action Plan as at 25 June 2012

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Implementation of the Wyre Forest Forward programme and associated Transformation projects.	2011/12 No. 4	To develop programme and implement.	Ongoing Regular reports to Group Leaders	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.</p>

Annual Governance Statement 2011/12 –Action Plan as at 25 June 2012

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Maintain Financial Resilience	2011/12 No.5	<p>To maintain financial resilience by securing approval of a medium term Financial Strategy with a fully balanced budget, taking into account the challenges presented by the Local Government Resource Review, including further work around forecasting and profiling of income.</p> <p>Cabinet consider Local Scheme for Council Tax Benefits, followed by consultation and Scrutiny before Final Council approval in November 2012</p> <p>Budget Process Oct 2013 to Feb 2012</p>	<p>9 July 2012– 21 November 2012– Council approve Local Scheme effective from 1 April 2013</p> <p>Feb 2013 Council</p>	Director of Resources CMT Cabinet and Council	<p>Work is underway in liaison with Treasurers Group to consider a Local Scheme for Council Tax Benefit and Business Rates Pooling. A report making recommendations for this Council is scheduled for July Cabinet. This will be factored into the Budget process as part of the Medium Term Financial Strategy. Work has been completed on enhanced profiling of income budgets for Budget Monitoring for 2012/13.</p>