

Open

Audit Committee

Agenda

6.00pm
Monday, 18th March 2013
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

	Chairman: Councillor D C H McCann
	Vice-Chairman: Councillor M A Salter
Councillor P Dyke	Councillor J A Hart
Councillor M B Kelly	Councillor N Knowles
Councillor J W Parish	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.

Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of this constitution for full details.

Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sue Saunders, Committee/Scrutiny Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732733 or email susan.saunders@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Monday, 18th March 2013

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, 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 Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 3rd December 2012.	6
5.	Communication with the Auditor Document To receive a report from Grant Thornton which details the Auditing Standards – Communication with the Audit Committee.	8
6.	Certification Work Report To receive a report from Grant Thornton which details Certification Work for 2011-2012.	26
7.	Audit Committee Update Report To receive a report from Grant Thornton in relation to the audit progress and emerging national issues and developments.	37

8.	<p>Audit Plan</p> <p>To receive a report from Grant Thornton for year ended 31st March 2013.</p>	49
9.	<p>Internal Audit – Annual Audit Plan 2013-2014</p> <p>To receive a report from the Section 151 Officer and the Principal Auditor informing Members of the Internal Audit – Annual Audit Plan 2013–2014.</p>	68
10.	<p>Internal Audit Monitoring Report Quarter Ended 31st December 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 December 2012.</p>	89
11.	<p>Annual Governance Statement</p> <p>To receive a report from the Director of Resources which presents to Members the current position in relation to the action plan which was developed to address issues identified within 2011/12.</p>	108
12.	<p>Risk Management – Corporate Risk Register</p> <p>To receive a report from the Director of Resources which presents to Members the current position in relation to the Corporate Risk Register.</p>	114
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>	
14.	<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

15.	<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

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

3RD DECEMBER 2012 (6.00PM)

Present:

Councillors: D C H McCann (Chairman), M A Salter (Vice-Chairman),
P Dyke, J A Hart, M B Kelly, N Knowles, J W Parish and C Rogers.

Observers:

Councillor N J Desmond.

AUD.22 Apologies for Absence

There were no apologies for absence.

AUD.23 Appointment of Substitutes

There were no appointment of substitutes.

AUD.24 Declarations of Interests by Members

No declarations of interest were made.

AUD.25 Minutes

Agreed: The minutes of the meeting held on 24th September 2012 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.26 Annual Audit Fees

To Committee received the Wyre Forest Fee Letter from Grant Thornton which summarised the audit fees for 2012/13 and introduced the new Engagement Lead for the External Audit Team.

Members were taken through the letter and attention was drawn to the reduction of 40% in the audit fees for 2012/13.

Decision: The Wyre Forest Fee Letter be noted.

AUD.27 External Funding Position Statement – Quarters 1 and 2 : 2012/13

The Committee received a report from the Director of Economic Prosperity and Place that provided an update on the amount of external funding being attracted into the District during Quarters 1 and 2 of the 2012/13 financial year and the variety of projects for which the funding was contributing towards for the benefit of the District and its residents.

Members were taken through the appendix to the report which detailed projects that had been funded. In response to a Members question, the Regeneration Officer would obtain information as to whether the standard for the new lighting for the cycle track at Stourport Sports Club was for competition or training.

Decision:

- 1. The Regeneration Officer to obtain information as to the standard of the new lighting for the cycle track at Stourport Sports Club.**
- 2. The amount of External Funding being attracted to the District as detailed in Appendix 1 of the report to the Audit Committee at its meeting on 3rd December 2012 be noted.**

AUD.28 Internal Audit Monitoring Report Quarter Ended 30th September 2012

The Committee received a report from the S151 Officer and Principal Auditor that informed Members of the Internal Audit Monitoring Report for the Quarter ended 30th September 2012.

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

Members raised concerns on the “limited” assurance for Human Resources Establishment and asked for a report explaining why the service was not progressing.

In relation to the completion date of September 2012 for End of Year Testing on the Establishment records, it was confirmed that the Human Resources Team were currently undertaking their review of the database and that the planned work could now proceed.

In response to a Members question, it was confirmed that a list of properties/assets which the Council owned would be circulated to Members.

Members were pleased to see that the Audit Team were back on track with internal audit targets.

In response to a Member query on the summary of audit advice given in the “Petty Cash” section, the Principal Auditor confirmed that items in this section included petty cash, transferring floats with the move to new HQ and updating signatures.

Decision:

- 1. Information on Council owned properties/assets would be circulated to Members.**
- 2. The Internal Audit Monitoring Report for the Quarter ended 30th September 2012 as detailed in Appendix 1 of the report to the Audit Committee at its meeting on 3rd December 2012 be considered.**

The meeting ended at 6.35 pm.



Grant Thornton

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Auditing Standards – Communication with the Audit Committee

Wyre Forest District Council

Audit year 2012-13

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Introduction

The purpose of this report is to ensure there is effective two-way communication between the Council's Audit Committee, who are 'those charged with governance' and the external auditor.

As your external auditor we have a responsibility under professional auditing standards to ensure there is effective communication with the Audit Committee. This means developing a good working relationship with Committee members, while maintaining our independence and objectivity. If this relationship works well it helps us obtain information relevant to our audit and helps Audit Committee members to fulfil their financial reporting responsibilities. The overall outcome helps to reduce the risk of material misstatement.

In planning and performing our audit of the financial statements we need to understand how the Audit Committee, supported by the Council's officers, meets its responsibilities in the following areas.

- fraud
- laws and regulations
- going concern
- related party transactions
- accounting for estimates

This report summarises the respective responsibilities of the Audit Committee, officers and external audit in each of these areas, as set out by International Standards on Auditing (UK and Ireland) (ISAs). Our primary responsibility is to consider the risk of material misstatement.

Each section of the report includes a series of questions that officers have responded to. We would like to ask the Audit Committee to consider these responses and confirm that it is satisfied with the arrangements.

Fraud risk assessment

The ISAs define fraud as:

"An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage."

[ISA (UK&I) 240, paragraph 11]

The primary responsibility to prevent and detect fraud is with the Audit Committee and Council officers. To do this:

- officers need to ensure there is a strong emphasis on fraud prevention and deterrence, with a commitment to honest and ethical behaviour

- Audit Committee oversight needs to include the potential for the override of controls and inappropriate influence over the financial reporting process.

Our overall responsibility is to ensure the Council's financial statements are free from material misstatement due to either fraud or error. We are required to maintain professional scepticism throughout the audit, which means considering the potential for the intentional manipulation of the financial statements.

We are also required to carry out a fraud risk assessment to inform our audit approach. This includes considering the following:

- how management assesses the risk of material misstatement in the financial statements due to fraud
- officers' response to assessed fraud risk, including any identified specific risks
- investigations into data matches identified through the National Fraud Initiative and subsequent outcomes
- how officers communicate the processes for assessing and responding to fraud risk to the Audit Committee
- how officers communicate its views on ethical behaviour to the Audit Committee
- how the Audit Committee exercises oversight of officers' fraud risk assessment and response processes and the internal controls to mitigate these risks
- what knowledge the Audit Committee has of actual, alleged or suspected fraud.

Table 1 below sets out how officers have responded to our fraud risk assessment.

Table 1: Fraud risk assessment

Question	Management response
1. What is officers' assessment of the risk of material misstatement in the financial statements due to fraud? Is this consistent with the feedback from your risk management processes?	Although there is an ongoing risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas, on Council Tax and Housing Benefit fraud. The risk of material misstatement of the accounts due to undetected fraud is low.
2. Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2011?	There are no material instances of fraud that have been identified during the year. There are some areas that are inherently at risk from fraud such as: <ul style="list-style-type: none"> ■ Council Tax ■ Benefit fraud ■ Single person discount However, there is a dedicated benefits investigation team within the Revenues and Benefits section which investigates any fraud.

Question	Management response
<p>3. Do you suspect fraud may be occurring, either within the Council or within specific departments?</p> <ul style="list-style-type: none"> • Have you identified any specific fraud risks? • Do you have any concerns there are areas that are at risk of fraud? • Are there particular locations within the Council where fraud is more likely to occur? 	<p>Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Authority. The Internal Audit plan incorporates consideration of potential fraud. In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register. We do not consider that any material fraud is occurring.</p>
<p>4. Are you satisfied that the overall control environment, including:</p> <ul style="list-style-type: none"> • the process for reviewing the system of internal control; • internal controls, including segregation of duties; • exist and work effectively? <p>If not where are the risk areas? What other controls are in place to help prevent, deter or detect fraud?</p>	<p>Yes - Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud</p>
<p>5. How do you communicate to employees about your views on business practices and ethical behaviour? How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> • What concerns are staff expected to report about fraud? 	<p>There is a Fraud Strategy and a Whistleblowing procedure in place which explain the procedures to follow.</p>
<p>6. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <ul style="list-style-type: none"> • How are the risks relating to these posts identified, assessed and managed? 	<p>There are not any significantly high-risk posts identified.</p>
<p>7. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> • How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>2011/12 financial statement disclosure of related party transactions does not identify potential fraud risk. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>
<p>8. What arrangements are in place to report fraud issues to Audit Committee?</p>	<p>Internal Audit provide the Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken.</p>

Laws and regulations

Auditing standards require us to consider the impact that law, regulation and litigation may have on the Council's financial statements. The factors that may result in particular risks of material misstatement due to fraud or error are:

- the operational regulatory framework - this covers the legislation that governs the operations of the Council
- the financial reporting framework - according to the requirements of International Financial Reporting Standards, the Code of Accounting for Local Authorities in England and relevant Directions
- taxation considerations - for example compliance with Value Added Tax and Income Tax regulations
- government policies that otherwise impact on the Council's business
- other external factors
- litigation and claims against the Council.

Where we become aware of information about a possible instance of noncompliance we need to gain an understanding of it to evaluate the possible effect on the financial statements.

The ISAs also require us to make enquiries of management and the Audit Committee about the arrangements in place to comply with law and regulation. To help with this, management have responded to the following questions.

Table 2: laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with?	<p>The Monitoring Officer is responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that these responsibilities cover:</p> <ul style="list-style-type: none"> ■ complying with the law of the land (including any relevant Codes of Conduct); ■ complying with any General Guidance issued, from time to time, by the Monitoring Officer; ■ making lawful and proportionate decisions; and ■ generally, not taking action that would bring the Council, their offices or professions into disrepute. <p>This officer has access to all Council committee reports. Monitoring officer raises awareness on legal requirements at meeting where needed. In addition in terms of any specific legal issues the monitoring officer would get involved at an early stage. Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p>

Question	Management response
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements. The Monitoring Officer (or representative) attends Audit Committee meetings and advises members on any areas of concern.
3. Have there been any instances of noncompliance with law and regulation since 1 April 2011?	None
4. Is there any actual or potential litigation or claims that would affect the financial statements?	None

Going concern

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

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

Table 3 – Going concern

Question	Management response
1. Has a report been received from management forming a view on going concern?	The Director of Resources (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy
2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan is agreed at the same time as the Council Plan. The financial plan makes clear reference to the Council Plan as the basis for the financial considerations in setting the medium term budget. The financial assumptions are therefore consistent with the Council Plan. Reports in year are consistent with the budget set.
3. Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The financial plan considered explicitly the government changes in terms of grants. The plan sets out the likely implications of the Governments Resources Review and other changes to local government finance.

Question	Management response
4. Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No
5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No
6. Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes

Accounting estimates

Local authorities need to apply appropriate estimates in the preparation of their financial statements. Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

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

We need to be aware of all estimates that the Council are using as part of their accounts preparation; these are detailed at Appendix A.

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

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

Related Parties

For local government bodies, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS 24: Related party disclosures. The Code identifies the following as related parties to local government bodies:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries)

- associates
- joint ventures in which the Council is a venturer
- an entity that has an interest in the Council that gives it significant influence over the Council
- key officers, and close members of the family of key officers
- post-employment benefit plan (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

The Code notes that, in considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged from the viewpoint of both the Council and the related party.

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

Table 4: Related Parties

Question	Management response
1. Who are the Council's related parties?	<p>The Council discloses its related parties under the following headings:</p> <p>(1) Government - central government has control influence over the Council as the Council needs to act in accordance with its statutory responsibilities.</p> <p>(2) Pension Fund - this party is subject to common control by central government.</p> <p>(3) Precepts & Levies - these parties are subject to common control by central government and thus might be empowered to transact on non-commercial terms. The Council is bound to pay the amount demanded from these parties through precept or levy.</p> <p>(4) Companies & Joint Ventures - the Council has the potential to influence the other parties through a shareholding or contractual relationship.</p> <p>(5) Assisted Organisations - the provision of financial assistance by the Council to such parties or voluntary organisations may give the Council influence on how the funds are to be administered and applied.</p> <p>(6) Members and Officers - Certain Members and Officers may have controlling influence or related interests with other of the Council's related party organisations, such that they may be in a position to significantly influence the policies of the Council.</p>

Question

2. What are the controls in place to identify, account for, and disclose, related party transactions and relationships?

Management response

A number of arrangements are in place for identifying the nature of a related party and reported value including:

- Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.

- Annual return from senior managers/officers requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests.

- Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.

- Review of related information with subsidiaries, companies and joint ventures, e.g. accounts.

- Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation

- Review of year end debtor and creditor positions in relation to the related parties identified.

- Review of minutes of decision making meetings to identify any member declarations and therefore related parties.

A Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	Valuations are made by the internal valuer (local RICS/CIB Member) as well as external valuer in line with RICS guidance on the basis of 5 year valuations with interim reviews	Capital Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation	Use the Internal and local RICS/CIB Member	Valuations are made in-line with RICS guidance - reliance on expert	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: <ul style="list-style-type: none"> • Buildings 50 years • Equipment/vehicles 7 years • Plant 10 years 	Consistent asset lives applied to each asset category.	Use the Internal local RICS/CIB Member for valuations.	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 20 years or as long as 90 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS or CIB Member.	No
Depreciation & Amortisation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis	Consistent application of depreciation method across all assets	No	The length of the life is determined at the point of acquisition or revaluation according to: <ul style="list-style-type: none"> • Assets acquired in the first half of a financial year are depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year. • Assets that are not fully constructed are not depreciated until they are brought into use. 	No.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use the Internal local RICS/CIB Member for valuations.	Valuations are made in-line with RICS guidance - reliance on expert.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non adjusting events - events after the BS date	S151 Officer makes the assessment. If the event is indicative of conditions. that arose after the balance sheet date then this is an unadjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect	Heads of Services notify the S151 Officer	This would be considered on. individual circumstances	This would be considered on. individual circumstances	N/A
Overhead allocation.	The Cost Centre Management Team apportion central support costs to services based on fixed bases as detailed in an 'Allocation Summary' spread sheet	All support service cost centres are allocated according to an agreed 'Allocation Summary' spread sheet.	No	Apportionment bases are reviewed each year to ensure equitable	No
Measurement of Financial Instruments.	Council values financial instruments at fair value based on the advice of their internal treasury consultants and other finance professionals	Take advice from finance professionals	Yes	Take advice from finance professionals	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Bad Debt Provision.	A provision is estimated using a proportion basis of an aged debt listing.	The finance team using the aged debt listing calculate the provision	No	Consistent proportion used across aged debt as per the SORP	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities.	<p>Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.</p> <p>Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties</p>	Charged in the year that the Council becomes aware of the obligation	No	<p>Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council</p>	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance department collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received	Activity is accounted for in the financial year that it takes place, not when money is paid or received	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No



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Wyre Forest District Council

Certification work report 2011/12

January 2012

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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified two claims and returns for the financial year 2011/12 relating to expenditure of £67 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditors work.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	The claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns. The Housing and Council Tax Benefit claim was subject to qualification. This is not unusual due to the complexity of the claim and is similar to the results of other Councils.
Supporting working papers	Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made one recommendation with regard to the Housing and Council Tax Benefit Claim at Appendix C. Implementation of the agreed recommendation will assist the council in the compilation of this claim. This will reduce the risk of potential repayment of grant and additional fees.

Acknowledgements

- 1.10 We would like to take this opportunity to thank the relevant grant claim co-ordinators and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

January 2012

2 Results of our certification work

Summary findings

- 2.1 We have certified two claims and returns for the financial year 2011/12 relating to expenditure of £67 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		2		3		
Number of claims submitted on time	100%	2	100	3	100	→
Number of claims certified on time	100%	2	100	3	100	→
Number of claims certified with amendment	0%	1	50	1	33	→
Number of claims certified with qualification	0%	1	50	1	33	→

- 2.3 This analysis of performance shows that the Council has robust arrangements for the submission and certification of grant claims. Accuracy of claims is good and detailed working papers are supplied. The Council works hard to clear queries and support the audit process.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Your previous auditors, the Audit Commission, charged a total fee of £17,644 against an indicative budget of £20,283 for the certification of claims and returns in 2011-12. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

The audit of the Housing and Council Tax Benefit Claim identified errors in the classification of overpayments relating to council tax payment. Testing identified 6 cases out of 60 which had an incorrect classification applied to the overpayment. These errors were extrapolated and applied to the relevant cells. The testing showed assessors were failing to correctly split overpayments between eligible overpayment and local authority error when the local authority had delayed processing a change of circumstances. The value of the errors found ranged from £0.13 to £28.56 and the benefit periods affected ranged from one day to six weeks.

In addition to this the rent allowance cell was adjusted by £45.33 as a result of an isolated error. In this case, the Authority failed to record the correct start and end dates of a tenancy when a claimant moved house. In the context of a £38m claim we do not consider these errors to be significant but are required to report them under guidance from the Department of Work and Pensions.

There are no further significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns. A recommendation has been made to further improve arrangements with regard to the Housing and Council Tax Benefit Grant Claim. This is detailed at Appendix C

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	38,757,000	Yes	45.33	Yes	20,506	13,772.50	
National non-domestic rates return	27,621,000	No	N/A	No	868	3,186	
Disabled Facilities Grant	No claim				425	No claim	
Reporting to those charged with Governance	685				Included in above fees	685	
Total	66,378,685		45.33		21,799	17,643.50	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and Council Tax Benefit Grant claim	The errors identified in the current year's claim should be reviewed and used as a training guide for assessors. Assessors training should reinforce the need for accurate coding of subsidy payments.	H	The Head of Benefits had already issued guidance to benefit assessors using the failed cases as examples.

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Audit Committee Update for Wyre Forest District Council

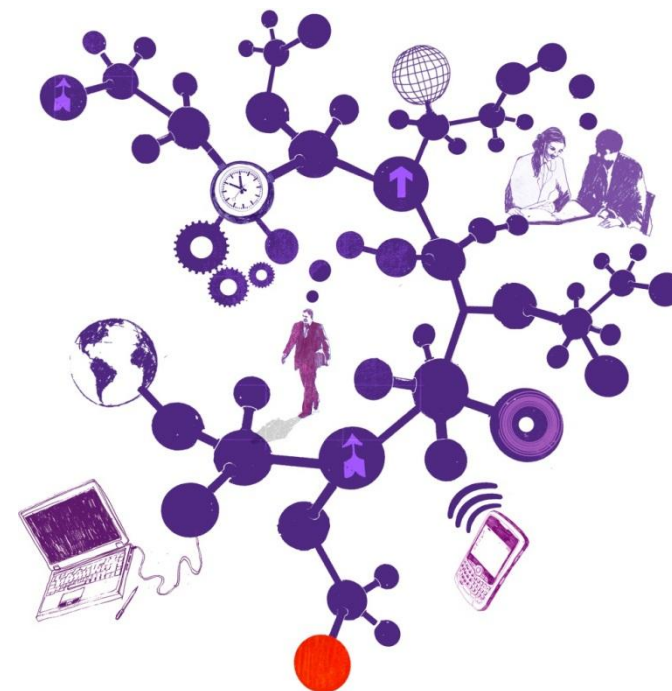
period ended

March 2013

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

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Introduction

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

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications - 'Local Government Governance Review 2012', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at March 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the District Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	<p>March 2013</p>	<p>Yes</p>	<p>Report to be tabled at March audit committee.</p>
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the District Council's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • early work on the proposed Value for Money conclusion. 	<p>February 2013</p>	<p>Yes</p>	<p>We have completed our planned work. No findings were identified at this stage which require reporting to you.</p>
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the District Council's accounts • proposed Value for Money conclusion. 	<p>July/August 2013</p>	<p>No</p>	<p>We have prepared a detailed working paper requirement document which we have shared with officers to support our final accounts process.</p>

Progress at March 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VFM) conclusion The scope of our work to inform the 2012/13 VFM conclusion comprises assessing the Council's arrangements for:</p> <ul style="list-style-type: none"> • securing financial resilience; and • challenging how it secures economy, efficiency and effectiveness. 	<p>Feb/March</p>	<p>In part.</p>	<p>We are currently in discussion to obtain the additional information required to support our conclusion.</p>

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a consultation on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Challenge questions:

- Do you know your key risks?
- Have officers ensured the financial impact is fed into medium term financial plans?
- Have officers undertaken modelling of future business rates growth?
- Have officers given due consideration to pooling?
- Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?
- Has your Director of Resources reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Equal pay - in October 2012 the supreme court ruled that more than 170 former Birmingham City Council employees can make equal pay claims. This effectively extends the time workers have to bring equal pay compensation claims from six months to six years. We would expect local authorities to consider whether they have received any additional claims and, where the criteria set out in IAS 37 have been met, recognise a provision.
- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Challenge question:

- Has your Director of Resources considered the need for additional provisions for the above matters?

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

In December 2012, Grant Thornton published 'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that relate to your authority and what action are you going to take?

Emerging issues and developments

Local government guidance

'Striking a balance: improving councils' decision making on reserves'

In December, the Audit Commission published 'Striking a balance: improving councils' decision making on reserves.' The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Challenge questions:

- Are your officers providing you with the right information about reserves?
- Have you considered the findings of the report and identified where actions are required?

'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published 'Tough times 2012: Councils' financial health in challenging times.' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Challenge question:

- Have you considered the findings of the report and any actions required?

Emerging issues and developments

Local government guidance

'Protecting the public purse 2012

In November, the Audit Commission published 'Protecting the public purse 2012: Fighting Fraud against local government. The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that could relate to your authority and how are these being dealt with?
- Have you reviewed your existing arrangements for tackling fraud?

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.



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The Audit Plan for Wyre Forest District Council

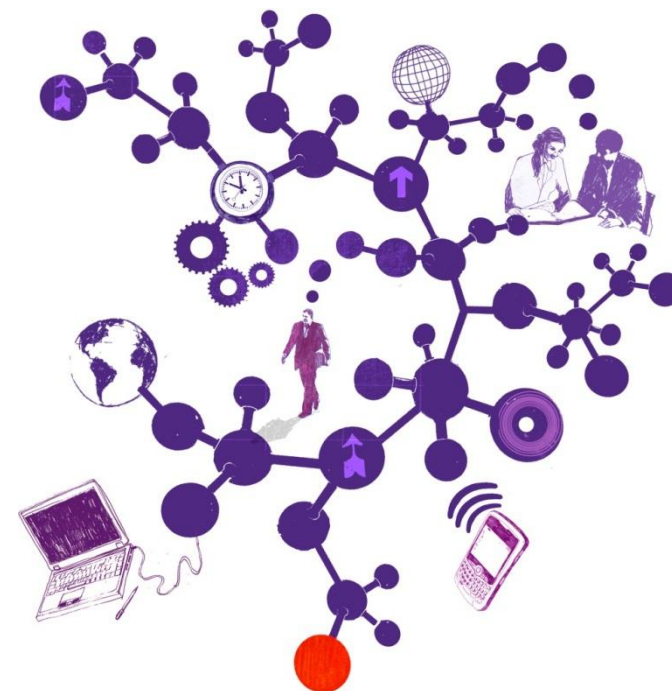
Year ended 31 March 2013

March 2013

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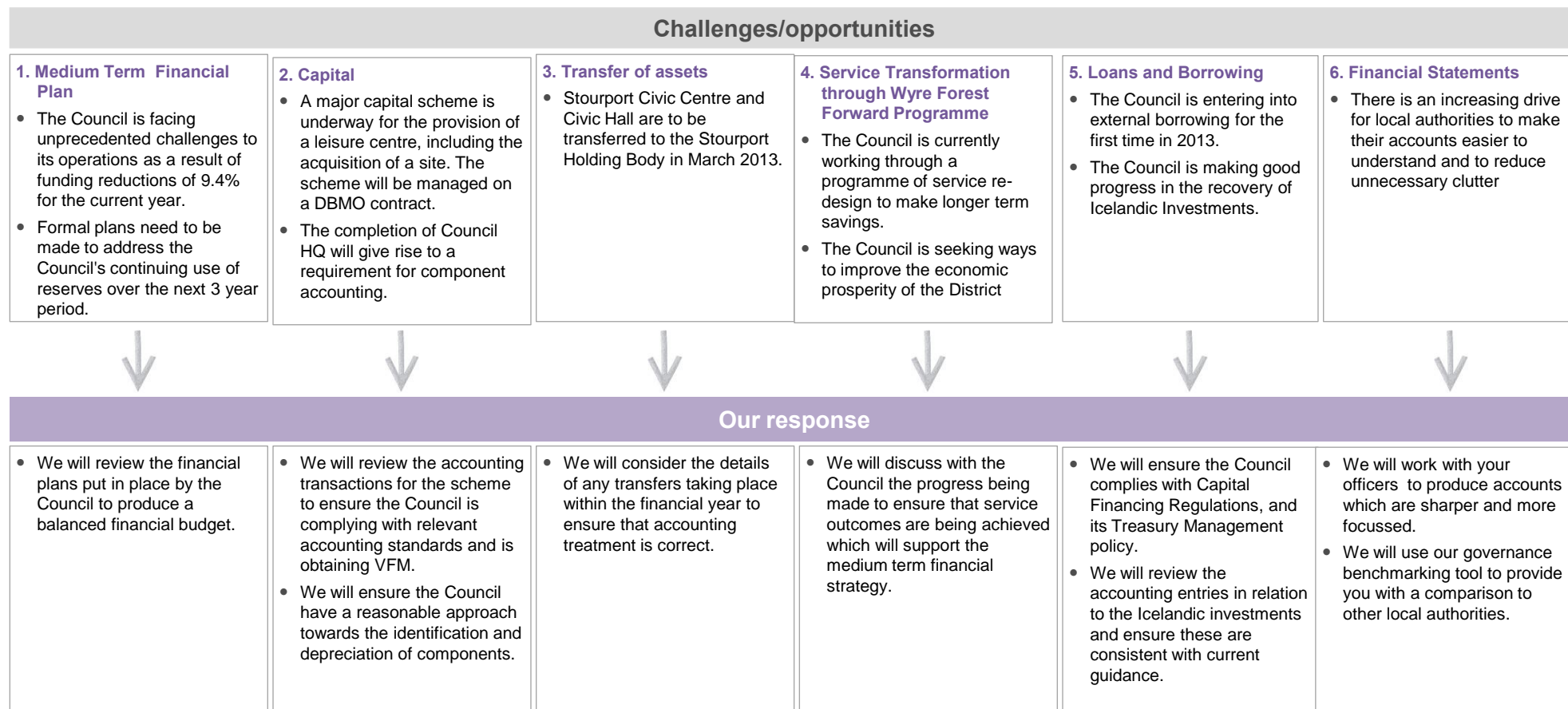
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11. Fees and independence
12. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



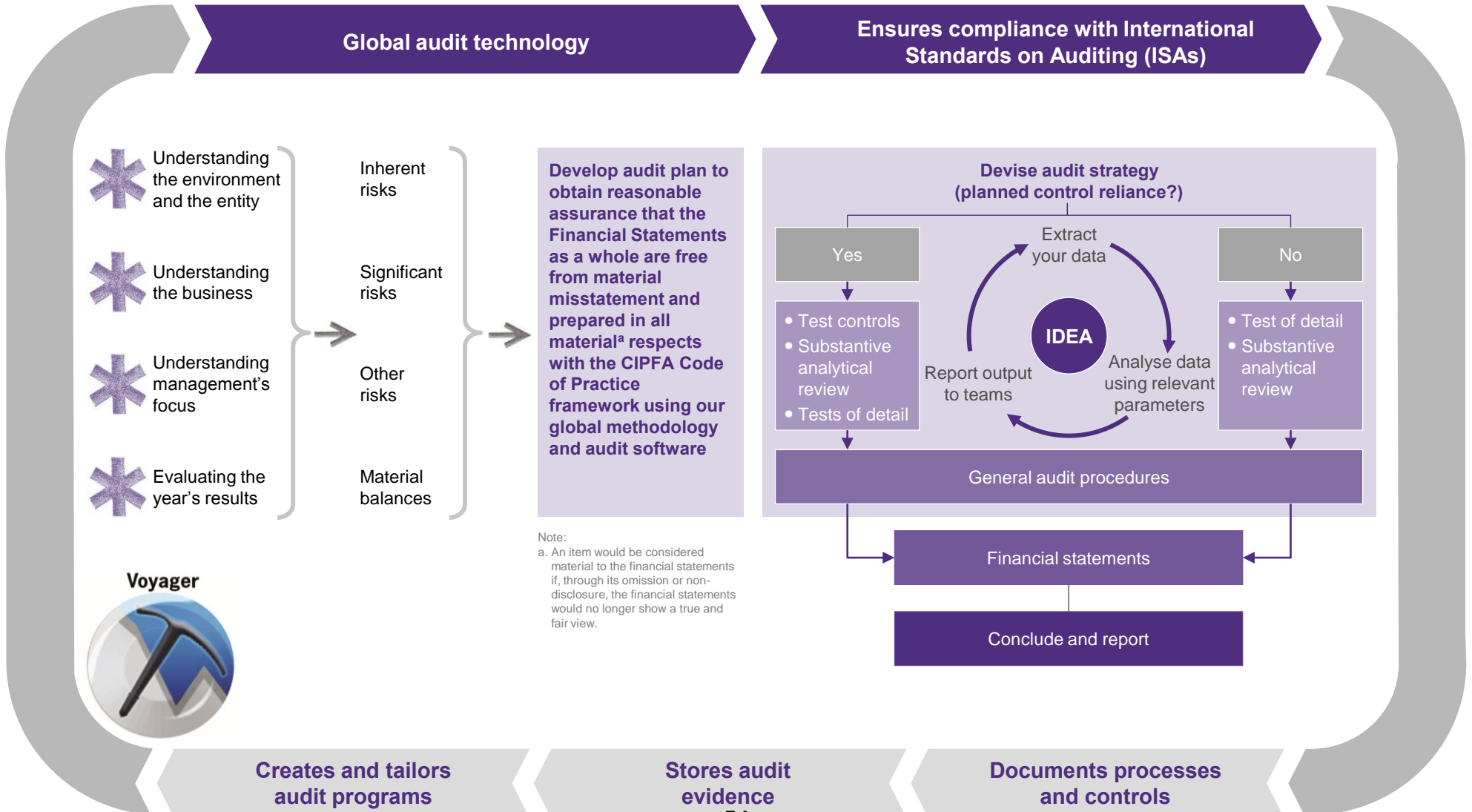
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Recognition of grant conditions and income 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement 2012/13 • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required

Our response					
<p>We will ensure that:</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing • grant income is recognised in line with the correct accounting standard 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	No	Property, Plant and Equipment	Low	None		X
Precepts and Levies	No	Council Tax	Low	None		×

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	No	Borrowings	Low	None		X
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		X
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Dividend income from Joint Venture	No	Revenue	Low	None		X
Impairment of investments	No	Investments	Low	None		X
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		X
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
PFI revenue support grant & other Government grants	Yes	Grant Income9	Low	None		✓
Capital grants & Contributions (including those received in advance)	No	Property, Plant & Equipment	Low	None		X

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	No	Property, Plant & Equipment	Low	None		X
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		X
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Low	None		✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		X
Investments (long & short term)	Yes	Investments	Low	None		✓
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	Yes	Property, Plant & Equipment	Low	None		✓
Inventories	No	Inventories	Low	None		X
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	No	Debt	Low	None		X
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	No	Provision	Low	None		X
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of revenue recognition policies for appropriateness and consistency with prior period. <p>Further work planned:</p> <ul style="list-style-type: none"> • Performance of attribute testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated	<ul style="list-style-type: none"> • We have completed our documentation of the system and performed a walkthrough of identified controls. • We have performed detailed testing of controls in operation. 	<ul style="list-style-type: none"> • We will undertake detailed testing of balances as part of final accounts audit.
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • We have completed our documentation of the system. 	<ul style="list-style-type: none"> • We will undertake detailed testing of balances as part of final accounts audit.
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> • We have completed our documentation of the system and performed a walkthrough of identified controls. 	<ul style="list-style-type: none"> • We are planning to undertake early substantive testing of payroll expenditure
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> • We have completed our documentation of the system and performed a walkthrough of identified controls 	<ul style="list-style-type: none"> • We are planning to undertake HBCOUNT work in April.

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We have reviewed internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that require to be reported.</p>	<p>Based on testing undertaken to date, no significant issues have been noted. We will undertake additional testing of journal balances as part of our year end audit.</p>

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

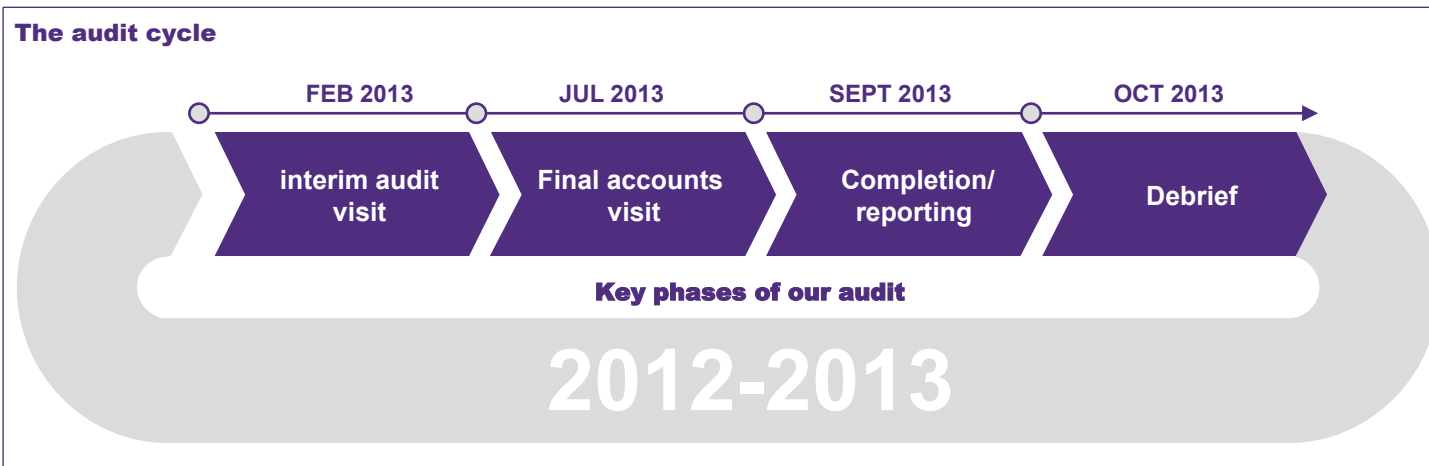
Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- undertake a detailed risk assessment which will support our overall conclusion
- undertake a financial resilience review
- follow up prior year recommendations

Logistics and our team



Date	Activity
Jan 2013	Planning meeting
Feb 2013	Interim site work
March 2013	The audit plan presented to Audit Committee
July 2013	Year end fieldwork commences
Aug 2013	Audit findings clearance meeting
Sept 2013	Audit Committee meeting to report our findings
Sept 2013	Sign financial statements and VfM conclusion
Dec 2013	Issue Annual Audit Letter

Our team

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Fees and independence

Fees

	£
Council audit	64,348
Grant certification	12,850
Total	77,198

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
18th MARCH 2013**Internal Audit - Annual Audit Plan 2013-2014**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME	Stronger Communities
CORPORATE PLAN PRIORITY	Delivering Together with Less
CABINET MEMBER	Councillor N J Desmond
DIRECTOR	S151 Officer
CONTACT OFFICERS:	Jo Wagstaffe Extension No 2100 joanne.wagstaffe@wyreforestdc.gov.uk Cheryl Ellerton Extension No. 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 Internal Audit ~ Annual Audit Plan 2013~2014

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit – Annual Audit Plan 2013–2014. The Plan has been prepared in accordance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government.

2. RECOMMENDATIONS

The Audit Committee is asked to:

- 2.1 **Consider and approve the Internal Audit –Annual Audit Plan 2013 – 2014, attached as Appendix 1.**
- 2.2 **That approval be given for the Section 151 Officer to amend the plan in light of developments arising during the year as described in paragraph 3.8 of this report and in accordance with paragraph 3.3 (b) of the approved Terms of Reference for Internal Audit.**

3. BACKGROUND

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

“**Internal Audit** is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”

And adds:

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

- 3.3 The role played by Internal Audit is key in **assessing the internal controls** in operation and **making recommendations** for improvement working in partnership **with management**. Further the role assists in working with managers to the Council’s corporate plan striving for continuous improvement.
- 3.4 The CIPFA Code of Practice set out the definitions and principles (the **standards**) which establish how a professional internal audit service should operate in the modern local government context.
- 3.5 The Audit Committee at its meeting on the 12th March 2012 approved the Internal Audit Strategic Plan 2012 – 2015. This plan provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the Authority. The plan prioritises the areas to be audited over the period and allocates internal audit resource to each area based on an Internal Audit needs assessment evaluating the materiality and risk of the Council’s activities.
- 3.6 The annual plan is viewed flexibly as issues may arise during the currency of the plan, which divert Internal Audit away from planned work.
- 3.7 The plan is therefore seen as a **statement of intent** that can be amended as necessary without having a damaging effect on the overall direction of the internal audit service. The strategic plan has been prepared in accordance with the approved Internal Audit – Terms of Reference.
- 3.8 The year 2013-14 is the second year of the three-year strategic audit plan.
- 3.9 Performance of the service is **monitored** against this plan during the year by way of a quarterly monitoring report to this committee, to the Corporate Management Team and to the external auditors.

4. KEY ISSUES

4.1 The approved Terms of Reference for Internal Audit require:

“3.3 The Section 151 Officer will:

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

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

4.2 As part of the preparations for this annual plan the Section 151 Officer has discussed with each Director their requirements for the forthcoming year for consideration for inclusion within the plan.

4.3 In order to ensure that the audit service cost is minimised to the authority the internal audit section work with external audit to ensure full liaison of planned internal audit work.

4.4 The Internal Audit – Annual Audit Plan 2013–2014 has been prepared in accordance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government.

4.5 The areas in the plan have been compiled following a review of the Strategic Plan 2012-2015 approved by members in March 2012, updating for changes in structure and processes during the period to date together with the reviews that have been completed and including any new areas as appropriate.

4.6 The areas in the audit plan have been identified by an objective risk assessment. This has produced an overall needs assessment for the internal audit service of 550 days.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

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

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

7. RISK MANAGEMENT

7.1 The Internal Audit - Annual Audit Plan 2013-2014 has been prepared in accordance with the requirements of the CIPFA Code of Practice. This requires the plan to be informed by the Council’s risk management, performance management and other assurance processes. Where the risk management process is not fully developed or

reliable an independent risk assessment is undertaken by the Principal Auditor in consultation with the Section 151 Officer.

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

9. CONCLUSION

- 9.1 The Annual Audit Plan 2013 – 2014 summarises the work to be undertaken by the Internal Audit section and provides its overall direction. It is presented to members in accordance with the approved Terms of Reference for the Internal Audit section.

10. CONSULTEES

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

11. BACKGROUND PAPERS

24th September 2012 ~ Audit Committee ~ Compliance with Cipfa Code of Practice.
12th March 2012 ~ Audit Committee ~ Year Strategic Audit Plan 2012~15.
29th June 2011~ Internal Audit Terms of Reference (Update).
Accounts & Audit Regulations (England) 2011 (SI 817).

INTERNAL AUDIT SECTION

ANNUAL AUDIT PLAN

2013 ~ 2014

WYRE FOREST DISTRICT COUNCIL
ANNUAL INTERNAL AUDIT PLAN 2013~2014

		<u>DAYS</u>
Systems and Probity	NOTE 1	375
Computer Audit	NOTE 2	50
Contract Audit	NOTE 3	30
Sub-total Planned Work		455
Consultancy and Advice		50
Irregularity Contingency		20
Specific Service Duties	NOTE 4	25
WORKLOAD		550
AVAILABLE DAYS	NOTE 5	550

NOTES

- 1 The days per service are shown on Pages 7-12
- 2 An analysis of the areas covered is shown on Page 13-14
- 3 An analysis of the areas covered is shown on Page 15
- 4 A breakdown of the specific service duties follows on Page 16
- 5 An analysis of the available days is shown on Page 17

OVERALL COMMENTS

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

WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2013~14

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

**WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2013~14
CORPORATE SYSTEMS**

		Year 2 2013/14	
	RA	Days	System Description
Corporate Governance	~	20	Assurance review of the Council's Governance Arrangements to include Anti Fraud & Corruption Strategies; Data Protection; Freedom of Information; Contract Procedure Rules; Financial Regulations; Constitution; Code of Conduct; Gifts & Hospitality.
Creditors	80	25	Assurance review of the system and procedures in place for the payment of invoices for services and supplies to the Council to cover all aspects including the weekly reconciliations of Payments Purchase Order Processing, Periodical Payments and Payment by Procurement Card. Review to include process reviews as part of the Transformation Programme.
Debtors	89	10	Assurance review of the system and procedures in place for the raising of accounts for services provided by the Council in respect of Miscellaneous Debts to include the monthly reconciliations and aged debt reports.
Flexible working Hours/Annual Leave/Special Leave	~	10	Cyclical review to aid Business Improvement to cover all areas not just those relevant to HR following revised employee polices.
Petty cash payments	52	5	Assurance review of adherence to Financial Regulations and Guidance; to account for changes in working practices at the new HQ.
Post Opening Procedures	56	5	Assurance review of adherence to corporate guidance and the Benefit Fraud Inspectorate; to account for changes in working practices at the new HQ. Corporate arrangements with Birmingham City Council.
Procurement & Corporate Contracts	85	25	Assurance review of Corporate Contracts; adherence to the Procurement Strategy; to include the tendering and awarding of contracts; adherence to Contract Procedure Rules.
Fees & Charges	69	30	Cyclical reviews of Fees & Charges not covered elsewhere within the Plan but on a rolling basis. Includes setting of the charges, assurance that sections are complying with the approved charges ~ Open Spaces, Other Sports Facilities; Play schemes; Rangers; Air Pollution; Copy Documents, Minutes & Agendas; Building Control Fees; Food Safety Inspections; Licensing Income; Hackney Carriage Income; Pest Control.
TOTAL DAYS		130	

WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2013~14
COMMUNITY WELL BEING & ENVIRONMENT

Director of Community Well Being & Environment

	RA	Year 2 2013/14 Days	System Description
Bewdley Museum	49	5	Cyclical review of the systems and procedures in place to promote and offer the facilities to the general public, to include income collection, provision of craft units.
CCTV	37	5	Cyclical review of the arrangements with Bromsgrove DC for the provision of CCTV.
Worcestershire Hub	74	20	Assurance review of the systems and procedures in place to provide a front line service to customers. To include Cashiering, Cash to Bank, KIOSK's, Social Fund payments and the monitoring of the Hub Partnership Agreement.
TOTAL DAYS		30	

**WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2013~14
RESOURCES**

Director of Resources

	RA	Year 2 2013/14 Days	System Description
Accounting (Cash~Bank)	74	20	Assurance Review of systems and procedures around the Council's General Ledger to record financial transactions and produce the final accounts. To include Bank Reconciliation; Journals, Housing Act Advances and Miscellaneous Income Reconciliations.
Benefits	88	30	Assurance Review of systems and procedures to ensure entitlement to and payments in relation to Housing Benefit. To include Payments, Overpayments, Rent Referrals, Statistical and Subsidy Returns. Review the changes to the Benefits System following the Welfare Reform Act and the introduction of the local scheme for WFDC.
Budgetary Control & Monitoring	94	15	Assurance Review of systems and procedures around the Council Budget Cycle to record and monitor budgets to feed into the financial records and the final accounts.
Council Tax	82	15	Assurance Review for the systems and procedures in place to calculate liability, raise bills, collect payment and monitor arrears. To review the Council Tax Discount Scheme.
NNDR	84	15	Assurance Review for the systems and procedures in place to calculate liability, raise bills, collect income and monitor arrears. To include changes to the Business Rates Retention.
Mileage & Subsistence Claims	~	5	Assurance Review of the systems and procedures in place for the payment of mileage and subsistence to employees and Members taking into account the new business processes from 1 st January 2013.
Payroll/PAYE	61	15	Assurance Review of the systems and procedures in place at Wyre Forest District Council and Redditch BC to ensure accurate payments to bonafide employees, HMRC, Pensions and other deductions and allowances.
Risk Management	~	10	Assurance Review of the Risk Management Process to include the identification and managing risks to include the Strategic Risk Register (Covalent Computer Application)
Treasury Management	108	10	Assurance Review of the systems and procedures in place to manage the Council's Cash Flow and investments to maximise interest earned.
VAT	88	10	Cyclical review of the arrangements for the collection, payment and accounting for VAT.

TOTAL DAYS

145

Agenda Item No. 9

WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2013~14
COMMUNITY ASSETS & LOCALISM

Director of Community Assets & Localism

	RA	Year 2 2013/14 Days	System Description
Debt Recovery Procedures	79	10	Assurance review of the systems and procedures for the recovery of outstanding debts having regard to the Legal requirements for Court Action (exc. Council Tax and NNDR)
Electoral Registration & Elections	50	10	Cyclical review of the systems and procedures for the maintaining of the Electoral Register and administration of the Elections (Local, General & European) and the introduction of Individual Electoral Registration.
TOTAL DAYS		20	

ECONOMIC PROSPERITY & PLACE

Director of Economic Prosperity & Place

	RA	Year 2 2013/14 Days	System Description
Care & Repair Worcestershire Agency	73	10	Cyclical review as part of Strategic Housing to cover housing needs.
Markets Note 1	62	10	Cyclical review of systems and procedures in place for the managing of the Markets.
CHG Agency Including Homeless	68	10	Cyclical review as part of Strategic Housing to cover housing needs specifically the arrangements with the Community Housing Group under contract.
TOTAL DAYS		30	

Note 1

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

WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2013~14
CHIEF EXECUTIVE

Chief Executive

	RA	Year 2 2013/14 Days	System Description
Data Quality & Performance Management	28	20	Cyclical review of the procedures in place for monitoring the Council's performance and Data in the public domain.
TOTAL DAYS		20	

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2013~14

ICT Audits and Assistance (40 Days Per Annum)

Application Control Reviews:	
Agresso	Financial Management System
IBS	Open Revenues Benefits
IBS	Open Revenues Council Tax
IBS	Open Revenues NNDR
One Serve	e-shop
Info @work	
Land Charges	MisPlus6

Areas	Reason
IT Governance~ Physical Security	To ensure that physical security is in place and that protocols are adhered to.
IT Governance ~ Access Control	To ensure that system access is recorded and appropriately granted. To ensure that System administrators are appropriately trained. To ensure Roles and Permission are monitored To ensure employee starter, leaver and transfers access right set up and amendments are controlled and recorded.
IT Governance ~ Back up	To ensure system back ups are controlled and secure. To ensure back ups are tested and the tests are recorded. To ensure back up equipment is working appropriately.
IT Governance ~ Audit Trails	To ensure Audit trails are switched on, show an accountable trail, are retained for an appropriate length of time and the time stamps are accurate. To ensure significant events have been recorded.
IT Governance ~ Contingency Plans	To ensure contingency plans are in place and include security arrangements (including physical). To ensure off site arrangements have been tested.

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2013~14

Assistance & Advice (10 Days Per Annum)

Areas	Reason
Social Media – Facebook Twitter	To ensure that the Council regularly updates the pages. The sites are monitored. To ensure queries are dealt with appropriately. To ensure the sites are accessible to all. Compliance with a privacy policy, social media policy, risk policy, Freedom of Information and Data Protection policies. Ensure internal policy include the employees use of social media.
IT Governance ~ Inventories	To ensure inventories are in place for both computer software and hardware. To ensure inventories are regularly reviewed and updated.
Payments on Line ~ Procurement/Paypal	To ensure that the Council procurement cards are secure and appropriately used. To ensure that the procurement cards are being used inline with Council policies when used on line. To ensure that purchases and payments are appropriately controlled.

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2013~14

Contract Audit (30 Days Per Annum)

Contract Audit includes:

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

On contracts selected from the approved Revenue & Capital budgets.

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

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2013~14

Specific Service Duties – (25 Days Per Annum)

- National Fraud Initiative 2013 Data Matching Exercise/Protecting The Public Purse Annual Survey
- Year End Reconciliation of Petty Cash Balances
- Monitoring of Salaries/Wages BACS Limits
- Collation and Distribution of Authorised Signatory Lists
- Monitoring of the Issue and Control of Cheques

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2013~14

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

INTERNAL AUDIT SYSTEM RISK ASSESSMENT

SYSTEM

Assessed by: _____ Date: _____

Reviewed by: _____ Date: _____

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

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

Agenda Item No. 9

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

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
18th MARCH 2013**Internal Audit Monitoring Report**
Quarter Ended 31st December 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
APPENDIX	Appendix 1 - Internal Audit Monitoring Report for the Quarter ended 31 st December 2012

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st December 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 December 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 2012~13 in March 2012 as part of the 3 year 2012~15 Strategic Audit Plan. 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 2012~15 approved in March 2012 provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority.

3.4 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Management Team and to the External Auditors.

3.5 The Report attached as an Appendix contains 4 sections which are:

- Section 1 **Final** internal audit reports issued in the quarter
- Section 2 **Follow up** reviews undertaken in the quarter
Incorporating Recommendations in progress
- Section 3 **Draft** internal audit reports issued in the quarter
- Section 4 **Work In Progress**
- Section 5 **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 section 4 for Member information. In addition to the managed audits, within the audit plan resources are allocated to **consultancy and advice** for which a summary of the requests dealt with by Internal Audit is included within the performance statistics.

3.6 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by Internal Audit to require management's attention.

3.7 The Internal Audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to Chief Officers and nominated lead managers for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.

3.8 The approved Terms of Reference for Internal Audit require that the Section 151 Officer prepares an annual opinion on the Council's internal control environment. This is a personal opinion, which takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment, which is reported to the June meeting of the Audit Committee.

3.9 The terminology within the reports presented to members is in line with that used by many other Internal Audit Teams of public authorities, private and public companies and external auditors.

3.10 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.

- 3.11 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where the area is being reviewed by Internal Audit in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.
- 3.12 The Corporate Management Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potential serious issue.

4. KEY ISSUES

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

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

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

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

7. RISK MANAGEMENT

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

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

9. CONCLUSION

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 31st December 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 12th March 2012 ~ Audit Committee ~ Strategic Audit Plan 2012~2015.
29th June 2011 ~ Audit Committee ~ Internal Audit Terms of Reference ~ Update.
Accounts and Audit (England) Regulations 2011 (SI 817).

INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st DECEMBER 2012**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31ST DECEMBER 2012

INDEX	PAGE
SECTION 1 Final Audit Reports issued in the Quarter	95
SECTION 2 Follow up Reviews undertaken in the Quarter Previous Audit Recommendations In Progress	97 98
SECTION 3 Draft Audit Reports issued in the Quarter	99
SECTION 4 Work In Progress (Including Action Plans Issued)	100
SECTION 5 Performance against Annual Plan for the Financial Year 2012/13 Including Consultancy & Advice for the Quarter	101

Joanne Wagstaffe
SECTION 151 OFFICER

6th February 2013

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31 ST DECEMBER 2012		
	ASSURANCE	PAGE
COMMUNITY WELL-BEING & ENVIRONMENT		
Subsidiary System		
Fees & Charges (Trade Waste) 2012~13	F	-
Fees & Charges (Fixed Penalty/Penalty Charge Notices) 2012~13		
ECONOMIC, PROSPERITY & PLACE		
Subsidiary System		
Fees & Charges (Food, Health & Safety) 2012~13	F	-
RESOURCES		
Key System		
Employee Car Loan Scheme 2011~12/2012~13	S	96

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
U = Unsound	<p>Significant breakdown in the overall framework of controls with a number of significant recommendations ~ provides little or no assurance.</p> <p>A significant internal control is one which is key to the overall framework of controls.</p>	Summary page of Audit Report and significant findings and associated recommendations.
L = Limited	Significant lapses/breakdown in individual controls ~ at least on significant weakness ~ provides partial assurance.	Summary page of Audit Report and significant findings and associated recommendations.
S = Some	Sufficient framework of controls but some weaknesses identified ~ provides adequate assurance.	Summary page of Audit Report together with any significant findings and associated recommendations where appropriate.
F = Full	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.

AUDIT REPORT TITLE: CAR LOANS 2011/2012	DRAFT REPORT DATE ISSUED: 23rd August 2012	SERVICE: Resources Directorate
BUDGET: LOANS O/S 31ST MARCH 2012 = £64,159 REF:N/A	FINAL REPORT DATE ISSUED: 15th January 2013 (Quarter to 31.12.12)	RESPONSE RECEIVED DATE: 16th November 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 review was undertaken in line with the Annual Audit Plan to ensure the processes in place for the Employee Car Loans scheme are in accordance with Council Policy.

The review comprised of selecting a sample of six recently approved car loans for detailed examination to ensure that there is a formal car loan agreement in place. All applications had been authorised and approved; vehicle price checks, road worthiness reports and finance checks completed with evidence to support each application; loan agreements had been signed prior to release of the payment. In one instance, the employee requesting the loan and a member of the legal team were both at Duke House and able to sign the agreement at that time and have it witnessed by a Principal Accountant. These circumstances were not noted on the file and therefore at the time of the audit review there was no evidence that the agreement had actually been signed prior to the release of the payment. Corroboration was sought from the Support Services Team Leader.

Documentation was requested to enable verification that the vehicles are insured in accordance with the loan agreement and have comprehensive cover and business use. The insurance for one vehicle did not have the business use cover but this was immediately rectified by the employee. The calculations for interest rates and repayments were examined for accuracy and checks made to ensure payments were being made through the monthly payroll. Verification was sought that the employee is the registered keeper of the vehicle.

Travel claims were examined to ensure that the employees were using the vehicles for which the loan had been approved. The processes in place for redemptions of car loans were also examined, the review comprised of selecting a sample of three redemptions to ensure that the redemption figure was correctly calculated and the final payment was received.

Conclusion:

The review concluded that the internal controls in place for the management of the Council's Car Loans scheme are well managed and are operating effectively. There are two small areas for improvement relating to ensuring the correct insurance cover is in place, i.e. fully comprehensive with business use, and the receiving of confirmation from the legal team that the Car Loan Agreement had been signed.

The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place within the system for the management of the Council's Car Loans scheme are operating as intended.

SECTION 2

Quarter Report to the 31st December 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	
Corporate							
Debtors 2011~12	K	S	2	2	~	~	~
Creditors ~ Compliance 2011~12	K	S	4	4	~	~	~

Quarter Report to the 31st December 2012
Summary Of Open Audit Recommendations At 31st December 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.

TITLE	SYSTEM TYPE K=Key S=Subsidiary	ASSURANCE LEVEL OF FINAL REPORT	IMPLEMENTATION STAGE PER CHIEF OFFICER AND/OR RESPONSIBLE MANAGER AT TIME OF FOLLOW UP REVIEW						Page No.
			Other Recommendations			Significant Recommendations			
			Open @ 01.10.12	Implemented In Quarter	Open @ 31.12.12	Open @ 01.10.12	Implemented In Quarter	Open @ 31.12.12	
CORPORATE									
Debtors 2010~11	K	S	1	0	1	-	-	-	-
COMMUNITY ASSETS & LOCALISM									
Management of Town & Civic Halls 2011~12	K	L	1	0	1	-	-	-	-
Payroll (Members) 2010~11 & 2011~12	S	S	1	1	0	-	-	-	-
Trading Estates & Property Debts 2011~12	K	S	1	0	1	-	-	-	-
RESOURCES									
Agresso Computer Application 2010~11	K	S	2	0	2	-	-	-	-
Benefits Reconciliations (Accountancy) 2010~11	K	S	1	0	1	-	-	-	-
Benefits Reconciliations (R&B) 2011~12	K	S	1	1	0	-	-	-	-
Civica Computer Applications 2010~11	K	S	3	0	3	-	-	-	-
Council Tax (Reconciliations) 2011~12	K	S	1	0	1	-	-	-	~
Creditors (Reconciliations) 2011~12	K	S	1	0	1	-	-	-	-
TOTAL RECOMMENDATIONS			13	2	11				

SECTION 3

Quarter Report to the 31st December 2012

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31ST DECEMBER 2012		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
Cash To Bank (Miscellaneous Income & Housing Act Advances 2012~13	15.01.13 (For 31.12.12)	~

SECTION 4

Twenty Action Plans have been issued to Managers during the quarter. The table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2012~13 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31ST DECEMBER 2012			
AUDIT REVIEW	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3
<u>Community Assets & Localism</u>			
Corporate Debt Recovery 2012~13	07.11.12	-	-
Human Resources ~ Establishment Reconciliation (Staff Record Forms) 2012~13	05.11.12	-	-
<u>Community Well Being & Environment:</u>			
Cash to Bank (Worcestershire HUB) 2012~13 (Q2)	-	12.11.12	-
Petty Cash ~ Cash Float Check ~ (Green Street Depot)	19.12.12	-	-
Petty Cash ~ Cash Float Check ~ Bewdley Museum No 2	-	19.12.12	-
Petty Cash ~ Cash Float Check ~ Worcestershire HUB (SOS)	19.12.12	-	-
Petty Cash ~ Cash Float Check ~ Worcestershire HUB (Bewdley)	19.12.12	-	-
Postal Arrangements (Contract Post)	01.10.12	-	-
<u>Resources:</u>			
Bank Reconciliation 2012~13 (Q3))	-	-	14.11.12
Benefits Reconciliations (HB) 2012~13	04.12.12	-	-
Benefits Compliance Testing (Housing Allowances) 2012~13	01.11.12	05.12.12	-
Benefits Compliance Testing (Council Tax Benefit) 2012~13	01.11.12	05.12.12	-
Council Tax Compliance Testing 2012~13	16.11.12	-	-
Council Tax Reconciliations 2012~13 (Revenues)	19.12.12	-	-
Council Tax Reconciliations 2012~13 (Accountancy)	19.12.12	-	-
NNDR Compliance Testing 2012~13	16.11.12	-	-
Payroll Compliance Testing (RBC) 2012~13	16.10.12	-	-
Payroll Compliance Testing (WFDC) 2012~13	16.10.12	-	-
Payroll Reconciliations 2012~13	16.10.12	-	-
Treasury Management 2012~13	-	01.10.12	-

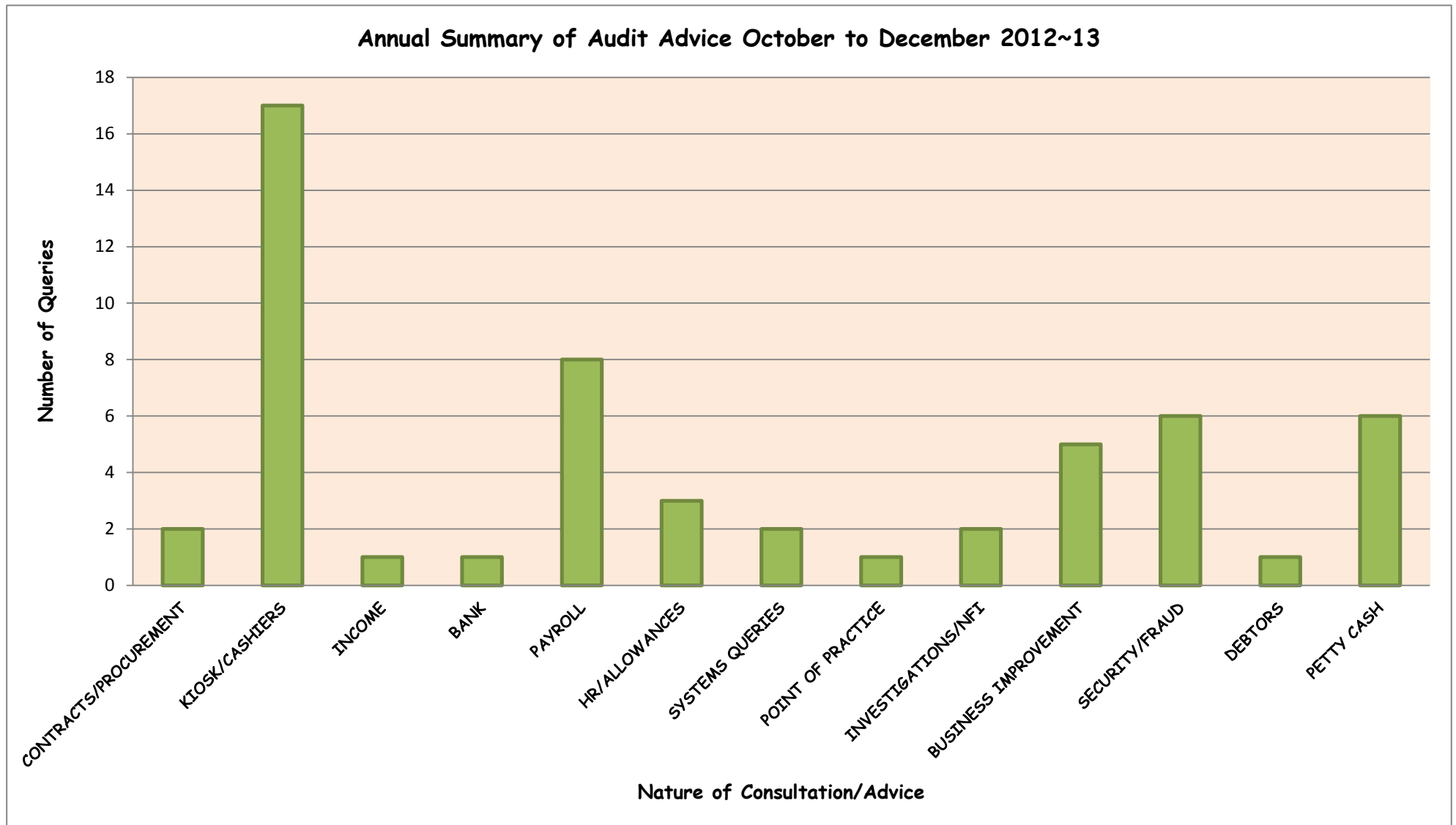
SECTION 5

Performance Against Annual Plan For The Financial Year 2012/13**Quarter ended 31st December 2012****Year to 31st March 2013**

	<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	100.50	93.75	107.20%	System and Probity	271.25	375	72.33%
Computer Audit	2.75	12.50	22.00%	Computer Audit	16.50	50	33.00%
Contract Audit	7.25	7.50	96.67%	Contract Audit	34.50	30	115.00%
Consultancy and Advice	7.50	10.00	75.00%	Consultancy and Advice	34.75	40	86.88%
Irregularity	3:00	10.00	30.00%	Irregularity	10.00	40	25.00%
Specific Service Duties	7.75	3.75	206.67%	Specific Service Duties	19.75	15	131.67%
Sub Total	128.75	137.50	93.64%	Sub Total	386.75	550	70.32%

TARGET**95.00%****Audit Resource Statistics**

For the quarter to 31st December 2012 actual against plan is **93.64 %** compared to a target of **95%**. Within the time allocated in the above table, during this third quarter of 2012~13 the Internal Audit Team have responded to 55 requests for advice and consultancy as categorised in the graph overleaf.





Audit Committee

Briefing Paper

Report of: Cheryl Ellerton, Principal Auditor
Date: Monday 18th March, 2013
Open

1. Summary

- 1.1 To provide members with a Progress Report on Human Resources Establishment Audit 2011-12 as requested by members at the Audit Committee meeting on the 3rd December 2012 (minute ref AUD. 28).

2. Background

- 2.1 At the Audit Committee on 3rd December 2012, Members raised concerns on the "limited" assurance for the Human Resources/Payroll 2011~12 audit review. The review was in respect of the procedures in place for the independent reconciliation of the Establishment for the financial year 2011~12. Members asked for a report explaining why the service was not progressing to be presented to the next Audit Committee.

3. Progress

- 3.1 **Appendix 1** details the current status of the actions that impact on the progress of the audit review for 2012~13. As shown in Appendix 1, progress continues on the Internal Audit recommendations and the confirmation of establishments for 2012/13 by 31st March will provide additional assurance of the payroll records.

4. Key Issues

- 4.1 The implementation of these recommendations will be closely monitored by Internal Audit as part of the 2012~13 annual assurance establishment review. Evidence of the completed independent reconciliation will be assessed by Internal Audit and the outcomes reported to the Audit Committee as part of the Quarterly Internal Audit Monitoring Report.

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 are not implemented.

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. Equality Impact Assessment

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

8. Conclusion

8.1 That the progress in implementing the recommendations from the 2011~12 internal audit annual assurance review as reported in Appendix 1 be noted. This information is presented to members in accordance with the Terms of Reference for the Internal Audit Team.

9. Consultation

9.1 Corporate Management Team.

10. Appendices

Appendix 1 – Progress Report on the Implementation of Internal Audit Recommendations.

11. Background Papers

Internal Audit Monitoring Report ~ Quarter 30th September 2012.

Officer Contact Details:

Name: Cheryl Ellerton
Title: Principal Auditor
Contact Number: Ext. 2116
Email: cheryl.ellerton@wyreforestdc.gov.uk

Wyre Forest District Council
Internal Audit
Follow Up Review
Payroll 2011-12 – Establishment - Database (WCC) (Limited)
Interim Report Issued 23rd January 2012/Final Report Issued 29th August 2012
Follow Up Review Issued 26th November 2012
Progress Report February 2013 -

Implementation Stages

1. Not yet implemented
2. Complete
3. In Process

No.	Observation/Recommendation	Agreed Imp. Date	Responsible Officer	Updated Response	Imp. Stage
SIGNIFICANT RECOMMENDATIONS					
1	<p>Observation A change to the current practice is in the process of being implemented (HR21 Self Serve a module of the CHRIS21 (Comprehensive Human Resources Integrated Solution) the HR and Payroll Computer Application; all establishment records (including starter, leaver and transfer records) will be maintained on the CHRIS 21 computer system by the Worcestershire County Council HR team, these records will directly update Redditch Borough Council's CHRIS21 computer payroll records.</p> <p>As both processes are directly linked to one another it is not clear in future how these records can be independently managed and reconciled.</p> <p>Recommendation Prior to the HR team taking on responsibility for updating all CHRIS 21 establishment and employee information a final check is undertaken to ensure all records are accurate and current. This check is agreed by all Directorates and evidence appropriately with signatures.</p> <p>Management Comments HR Manager 02.02.12 The annual check will be carried out on 31st March 2012. A current review of the process is being undertaken by HR Advisor and Management Accountant. From April 2012 HR will cease maintaining a manual spreadsheet which is open to human error.</p> <p>Once the new processes for setting up employees and posts are implemented, Worcestershire County Council's Human Resource team seeks independent verification of the accuracy of these records. Firstly against Accountancy budgetary records and secondly at year end directly from the Corporate Management Team.</p> <p>CHRIS 21 system roles are amended to ensure that only the Worcestershire County Council Human Resources team can update post and employee records onto the system and that Redditch Borough Council's payroll team no longer have this responsibility.</p> <p>Management Comments HR Manager 02.02.12 Unclear of timings – HR need to be granted this access, hopefully this will be</p>	31.03.12	HR Manager	<p>HR Advisor ~ February 2013 The HR Advisor now has the appropriate access rights to CHRIS to enable the progression of HR from 1st April 2013 to be able to input all Staff Record Forms (Starter/Leaver/Transfer) into the CHRIS system by the HR Advisor. This will enable the HR Team to update and maintain accurate Establishment database. The inputting of the Staff Record Forms will create the live record for Redditch Borough Council Payroll Team to enable them to process the salary payments accordingly.</p>	3
	<p>This will be carried out annually at year end</p> <p>01.04.12</p>	HR Manager	HR Manager in consultation with Financial Services Manager		

No.	Observation/Recommendation	Agreed Imp. Date	Responsible Officer	Updated Response	Imp. Stage
	<p>completed by 1st April 2012. Access requested of Redditch Payroll Team 9th/13th July 2012.</p>				
2	<p><u>Observation</u> As part of the year end testing for 2011~12 HR establishment lists were reconciled against a CHRIS payroll report listing all 'active' employee records.</p> <p><u>End of Year Testing</u> Evidence of manual establishment lists maintained by HR and reconciled to the CHRIS21 (Payroll) Database as at 31st March 2012 were sighted by Internal Audit. Economic, Prosperity & Place ~ Signed by Director 13.04.12 Resources ~ Signed by Director 21.05.12 Community Assets & Localism ~ Signed by Director 30.03.12 Chief Executive Unit ~ Signed by Director 04.04.12.</p> <p>There were some discrepancies between the manual records and the payroll database, in that post numbers allocated to individuals differed between the two records. These were raised with the HR Team and resolved.</p> <p>The manual establishment record for the Community Well Being & Environment Directorate was not reconciled and made available however until July 2012 (three months after the year end).</p> <p>From examination of the HR establishment listing, several discrepancies were identified which would appear to be due to the employees transferring Directorates during the corporate restructure of March 2012. As a result whilst employees were in posts the establishment records had not been updated to reflect the changes. The HR Team were advised of the discrepancies identified by Internal Audit for action.</p> <p>At the time of the audit review It was not clear how HR would undertake independent establishment checks in future. As part of the Budgetary process, the Accountancy Section undertake an annual establishment check which will be agreed by all Directors, this could be made available to the HR Section for their information and independent verification.</p> <p><u>Recommendation</u></p> <p>The HR Section completes accurate establishment records as at 1st April 2012, records are then independently maintained of all starter and leavers. These records along with those provided by the Accountancy Section are reconciled to the CHRIS payroll records on at least and annual basis.</p>	September 2012	HR Manager	<p><u>HR Advisor ~ February 2013</u> With the knowledge that there were issues with the completion of the independent check as at 2012, the HR Advisor with the assistance of the Redditch Borough Council HR Team has now developed an establishment report from CHRIS that can be cross referenced to the establishment report held by the Accountancy Team as an independent check.</p> <p>Currently the HR Advisor is "cleansing" this data as it details posts no longer on the Establishment i.e. Posts that have transferred under TUPE arrangements. These posts are no longer active having an allocated Termination Date.</p> <p>A full independent establishment check for 2012~13 will be undertaken and signed off by HR and the Directors by 31st March 2013. This will be made available to Internal Audit</p>	3

No.	Observation/Recommendation	Agreed Imp. Date	Responsible Officer	Updated Response	Imp. Stage
	<p><u>Management Comments: Financial Services Manager~11th July 2012</u> Following the completion of the Budget Cycle for Director confirmation of Establishments, the pay data will be shared with HR as an independent verification of the Establishment held on CHRIS/HR21.</p>				

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****18th MARCH 2013****Annual Governance Statement**

OPEN	
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
CONTACT OFFICERS:	Director of Resources Ext 2100 joanne.wagstaffe@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Annual Governance Statement Action Plan 2011/12

1 PURPOSE OF REPORT

- 1.1 This report is to present the current position in relation to the action plan which was developed to address the issues identified within 2011/12.

2 RECOMMENDATION

- 2.1 **The Audit Committee is asked to approve the progress against the Annual Governance Statement Action Plan 2011/12 which is attached at Appendix 1.**

3 BACKGROUND

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

4. Responsibility for financial management

- 1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.
- 2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.
- 3) The findings of the review referred to in paragraph (2) must be considered –
 - (a) in the case of a larger relevant body, by the members of the body meeting as whole or by a committee, and
 - (b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

- 3.1 Further statutory guidance received by the Council requires the authority to widen the scope of the Statement on Internal Control to include further governance issues. CIPFA/SOLACE prepared guidance for Local Authorities in response to this move which now results in Councils being required to prepare an Annual Governance Statement which is to be included within the Statement of Accounts.
- 3.2 Full details were provided to the Audit Committee in March 2008 on these requirements in relation to the Annual Governance Statement. The Annual Governance Statement itself this was presented and approved at the June 2012 meeting of the Audit Committee.
- 3.3 In determining the Annual Governance Statement to the Council is required to take into account all relevant information. In relation to the Statement that was approved in June 2012 the following sources of evidence were used. In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:
- Internal Audit reports;
 - External Audit reports;
 - Assurance Statements completed by senior staff;
 - Strategic Risk Register;
 - External Inspection findings including;
- 3.4 Following consideration by the Corporate Management Team the Annual Governance Statement was approved by the Audit Committee at the meeting in June 2012.

4 KEY ISSUES

- 4.1 The Annual Governance Statement identified areas of Corporate Governance which needed to be addressed during 2012/13. An action plan has been developed and is attached at Appendix 1, which identifies these areas and the progress that has been made in addressing these points.
- 4.2 Members are requested to review and approve the action plan and to note the current progress in relation to the delivery of the necessary improvements.

5 FINANCIAL IMPLICATIONS

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

6 LEGAL AND POLICY IMPLICATIONS

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

7 EQUALITY IMPACT NEEDS ASSESSMENT

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

8 RISK MANAGEMENT

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

9 CONCLUSION

- 9.1 From 2007/8 the Authority has been required to complete an Annual Governance Statement which is required to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement;
 - Consider the robustness of the Authority's governance arrangements;
 - Monitor any actions arising from the review of arrangements.
- 9.2 This report identifies the progress that has been made to date in relation to the Annual Governance Statement approved on 25th June 2012.

10 CONSULTEES

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

11 BACKGROUND PAPERS

- 11.1 25th June 2012 – Annual Governance Statement 2011~12

Corporate Governance Action Plan Progress 2011/12

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Completion of the New Headquarters project to ensure that the Council achieves Value for Money in its accommodation requirements	2011/12 No. 1	Award of Contract	March 2011	Chief Executive	Completed.
		Monitoring of Construction Period	June 2012	Chief Executive	Completed
		Preparations for occupation	June 2012	Director of Community Assets & Localism	Completed
		Completion and Occupation	September 2012	Chief Executive	Handover completed in September.
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 over 66% recovered from all three investments. Repayments continue to be recovered to increase the amount of outstanding monies recovered.

Agenda Item No. 11 Appendix 1

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
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 and updated by CMT (following a review by Zurich Municipal in late 2011/12). The new register from April 2012 was more streamlined and has proved easier to update and monitor. This is monitored and updated regularly by CMT and WF20. It is also reported half yearly to the Audit Committee.
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	Council approved new Financial Strategy on 29 February 2012. This increased and accelerated the savings associated with the WFF programme. The updated plan reflects the reduction in funding that has been received through the local government settlement. The plan is reported regularly to Group Leaders and progress is monitored as part of the monthly financial monitoring reports.

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 2012 to Feb 2013</p>	<p>21 November 2012– Council approve Local Scheme effective from 1 April 2013</p> <p>February 2013 Council</p>	Director of Resources CMT Cabinet and Council	<p>The Council approved a Council Tax Discount scheme in November 2012 and work is underway to implement the scheme for the 1 April 2013. The Council has also entered into the Worcestershire Business Rates Pool.</p> <p>There is still significant work to fully understand, manage and monitor the impact of the local government finance reforms and to fully understand the impact of the increased risk transfer associated with the changes.</p> <p>There are currently proposals to reduce the capacity of the finance team during 2013/14 through to 2015/16. This reduction needs to be carefully balanced against the increased risk of the Local Government Finance Act and Welfare Reform Act changes.</p> <p>The Financial Strategy was agreed by Full Council on 27th February 2013.</p> <p>Further work will be undertaken with members during 2013/14 to consider how a fully balanced budget may be achieved in the medium term.</p>

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****18TH MARCH 2013****Risk Management – Corporate Risk Register**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together With Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources
CONTACT OFFICER:	Joanne Wagstaffe joanne.wagstaffe@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Corporate Risk Register as at 31 st December 2012

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee of the current Corporate Risk Register, attached as Appendix 1.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee are asked to CONSIDER AND NOTE the Corporate Risk Register and the associated mitigating actions as at 31st December 2012.**

3. BACKGROUND

- 3.1 Council approved a Risk Management policy statement and strategy in February 2008. The approved Risk Management strategy requires that the risk register entries for the Council, both strategic and operationally are considered by the Audit Committee.
- 3.2 The authority manages a corporate risk register for the significant organisational risks. The risk registers are held within the Covalent computer application. Arrangements are in place to ensure that access is available to all officers who require it.
- 3.3 The Corporate Risk Register was reviewed during 2011, this review was undertaken by the Corporate Management Team and the Cabinet in discussions facilitated by Zurich Municipal Management Services. The Corporate Risk Register taken forward for 2012~13 has been developed and approved by the Corporate Management Team.

4. KEY ISSUES

- 4.1 Risk Management is embedded within the Council through the Corporate Risk Register. Any report considered by Councillors includes a Risk Management Section and specific registers are monitored separately for significant individual projects.
- 4.2 The Audit Commission has recognised the work which the Council has achieved in this area; however, they are keen that the Council continues to make further improvements. Within the Annual Audit Letter considered by the Audit Committee in September 2012 was the recommendation:

Adding Corporate Risks to the Wyre Forest Forward Annual Plan will ensure members have a clear understanding of risks to achieving Corporate Priorities and clear lines of accountability.

Work to progress this recommendation is in hand.

- 4.3 It is appropriate for the Audit Committee to consider the current Corporate Risk Register attached at Appendix 1, updated to the end of December 2012 (Quarter 3) and agreed by CMT. It is suggested that the Corporate Risk Register continue to be reported on a 6 monthly basis to the Audit Committee, following consideration by the Corporate Management Team.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Regulation 4 of the Accounts and Audit Regulations 2011, state that:
“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk”.
- 6.2 In addition Regulation 5 of the Accounts and Audit Regulations 2011 also state that:
“The accounting control systems determined must include measures to ensure that risk is appropriately managed”.
- 6.3 The Council’s corporate Governance Framework considered by the Audit Committee on 17th March 2008, includes Core Principle 4 - Taking informed transparent decisions which are subject to effective scrutiny and management of risk.

7. RISK MANAGEMENT

- 7.1 The consideration and management of risk is good practice. Risk Management processes are required to effectively manage and evidence the management of key risks as an aid to achieving the Council’s corporate objectives and demonstrating good Corporate Governance allowing Managers to manage their risks and bring to a corporately acceptable level.

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

8. CONCLUSION

- 8.1 Further progress and actions on taking forward the corporate risk management process have been made thus ensuring that risks are monitored and action taken to minimise the impact on the Council. The Corporate Risk Register as attached at Appendix 1 provides a realistic overview of the major risks affecting the Council and will be monitored on a regular basis by the Corporate Management Team with six monthly reports to the Audit Committee.

9. CONSULTEES

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

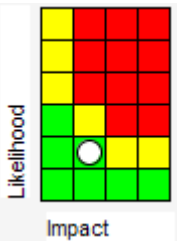
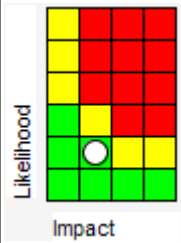
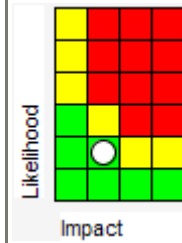





10. BACKGROUND PAPERS

- 10.1 Audit Committee ~ 24th September 2012~Corporate Risk Register

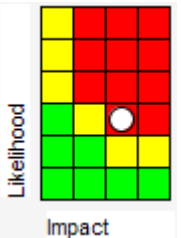
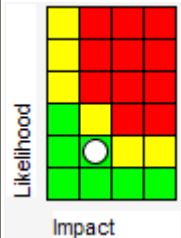
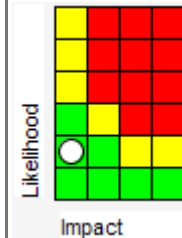


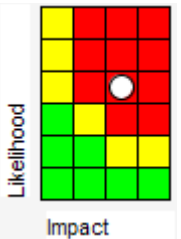
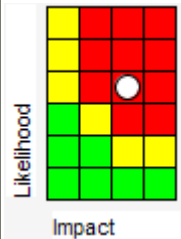
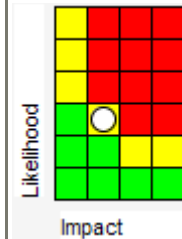


Updated to 31st December 2012 - Quarter 3

Corporate Risk Register 2012/13

Generated on: 07 March 2013

CORPRISK01		Regular change in the political balance /direction of the Council. The Council has a history of being hung and the current political situation is finely balanced. Having elections by thirds does not help to provide political stability. This has led to consensus politics.			
Original Risk	Current Risk	Target Risk	Assigned To	Status	
			Corporate Management Team		
Linked Actions	Due Date	Progress	Latest Note	Status	
RA12/13 01CWBE01	31-Mar-2013	 100%	15-Feb-2013 The joint briefing session was held on Monday 14 January 2013 which was well attended by partners, Group and Deputy Group Leaders, Cabinet and CMT. A de-brief of the session was undertaken at the LSP Board meeting on 28 January.		
RA12/13 02CWBE02	31-Mar-2013	 75%	07-Jan-2013 An additional meeting of the Members' Forum was held on 18 December which provided a detailed introduction to Systems Thinking and an update on the various reviews and interventions which are ongoing across various service areas. At the next Forum meeting on 17 January Members will be provided with an update on all of the Wyre Forest Forward Projects.		
CORPRISK01	CORPRISK01				
CORPRISK02		Unable to implement and embed new ways of working. The Council is undergoing major transformational change that embraces EDRMS, mobile and flexible working, cultural and behavioural change, increased standards of delivery etc.			
Original Risk	Current Risk	Target Risk	Assigned To	Status	

Updated to 31st December 2012 - Quarter 3

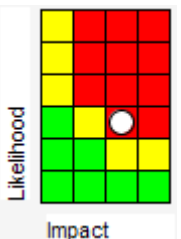
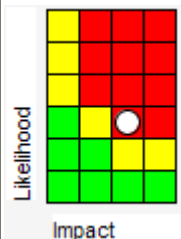
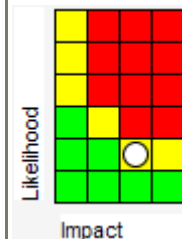




			Corporate Management Team		
Linked Actions		Due Date	Progress	Latest Note	
RA12/13 03CWBE03	The delivery of the Wyre Forest Forward Programme. To conduct a fundamental review and prioritisation of all aspects of the Council's services. This will include using systems thinking principles, in order to secure its financial viability and the sustainability of service programmes.	31-Mar-2013	 90%	15-Feb-2013 Good progress continues with the following reviews: Depot Services, Revenues, Benefits and Hub, Development Management, Management Review and Financial and Corporate Systems.	
CORPRISK02	CORPRISK02				
CORPRISK03	Unable to improve the economic prosperity of the district. Lack of vitality in the local economy - although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy.				
Original Risk	Current Risk	Target Risk	Assigned To		Status
			Corporate Management Team; Mike Parker		
Linked Actions		Due Date	Progress	Latest Note	
RA12/13 04 EPP01	Following the State of the Area (SotAD) held in early 2012, to utilise the £1m Economic Regeneration Fund allocated in the budget to	31-Mar-2013	 50%	04-Mar-2013 First year review of successes of State of the Area initiative to take place on 7th March 2013 at public event. Successes include: · 17 Apprenticeships supported · Town Team established	

Updated to 31st December 2012 - Quarter 3

	support the continued delivery of ReWyre priorities and initiatives arising from SotAD.			<ul style="list-style-type: none"> Public Realm improvements in Kidderminster and Bewdley Business Rate Relief for empty shops Incubator units concept advancing Silverwoods (British Sugar site) under development
CORPRISK03	CORPRISK03			

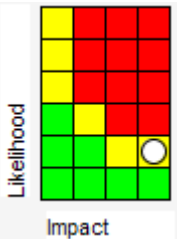
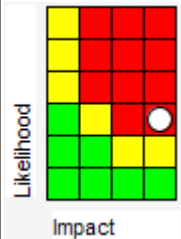
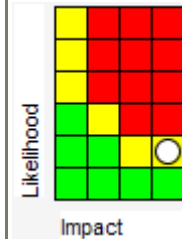



CORPRISK04				
Unable to deliver good quality, affordable homes. The need for good quality, decent and affordable homes in the district is increasing but supply is decreasing.				
Original Risk	Current Risk	Target Risk	Assigned To	Status
			Corporate Management Team; Kate Bailey; Mike Parker; Tracey Southall	
Linked Actions	Due Date	Progress	Latest Note	
RA12/13 05 RES01	To implement the approved investment in the Local Authority Mortgage Scheme (LAMs).	30-Sep-2012	80%	14-Jan-2013 Scheme launch continues to be deferred as differential between commercial rate on £1m capital and cost of borrowing has dropped considerably and may be insufficient should there be defaults, Rates will be monitored and launch will proceed when market conditions improve.
RA12/13 06 EPP02	To deliver actions set out in Strategies Housing/Homelessness/Empty Homes/Private Sector Housing.	31-Mar-2013	75%	07-Jan-2013 Homeless strategy launch January 2013 Continue to implement actions from Housing Strategy
RA12/13 07 EPP03	To assist a Council scrutiny of the delivery of housing to meet local needs.	30-Dec-2012	50%	07-Jan-2013 Completed review of DFG process and recommendations made to Cabinet Undertaking affordable housing review to be completed end Feb
RA12/13 08 EPP04	To procure a new contract for the delivery of the Council's Homelessness, Housing Advice and Register Service.	31-Mar-2014	50%	07-Jan-2013 New specification to be completed end January
CORPRISK04	CORPRISK04			

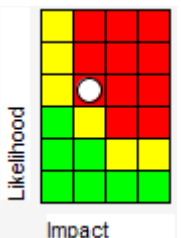
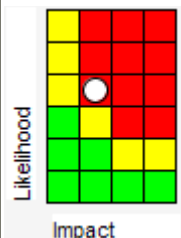
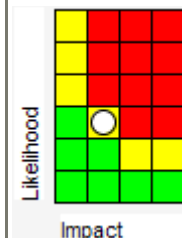


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CORPRISK05		Do not meet achieve savings targets. Plans are in place to achieve savings to achieve the budget but these must be achieved for the budget to balance.			
Original Risk	Current Risk	Target Risk	Assigned To	Status	
			Corporate Management Team; Tracey Southall		
Linked Actions		Due Date	Progress	Latest Note	
RA12/13 09 RES02	To participate in the Efficiency Strategy and the Service Reviews to generate savings and to monitor and report on these proposals on a quarterly basis to Cabinet.	31-Mar-2013	 75%	14-Jan-2013 Monthly budgetary control reports to Directorates to timetable.	
RA12/13 10 RES03	Ongoing annual Procurement savings target of £50k - monitored monthly.	31-Mar-2013	 75%	14-Jan-2013 On target - Procurement Officer, David Tirebuck, left the Authority on 9.11.12 but cover arrangement through a Joint Working arrangement with Redditch and Bromsgrove Council is being trialled. Progress will be monitored to ensure we continue to meet procurement savings.	
RA12/13 11 RES04	To develop more intelligent monthly management reports for consideration by CMT/Cabinet.	30-Sep-2012	 65%	14-Jan-2013 CMT/Cabinet have now agreed the basic format of new report template. Reports went live from Nov but further work in progress to integrate with quarterly Budget Monitoring Cabinet Reports and to include Wyre Forest Forward updates.	
CORPRISK05	CORPRISK05				



CORPRISK06		Unable to deliver a sustainable budget for the long term. Reserves are being used in the short term to meet shortfalls but increased savings are required so that the budget becomes sustainable from 2014 onwards. In addition, the Government's proposals for Welfare Reform, including Universal Credit, Localisation of Council Tax Benefit and Retention of Business Rates represent significant change to key funding streams and the risk of this change having an adverse impact on the sustainability of the budget is high and must be managed carefully.			
Original Risk	Current Risk	Target Risk	Assigned To	Status	

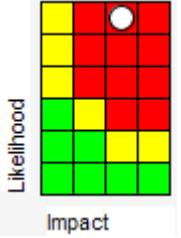
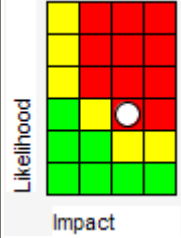
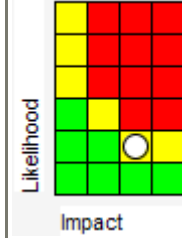



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			Corporate Management Team; Tracey Southall		
Linked Actions		Due Date	Progress	Latest Note	
RA12/13 12 RES05	Prepare budgets in accordance with the Local Government Finance Act 2003 and the Council's Finance Strategy.	31-Mar-2013	 60%	07-Mar-2013 Financial Strategy approved by Full Council in February 2013. Work will be undertaken with Members during 2013/2014 to work towards achieving a fully balanced Budget.	
RA12/13 13 RES06	Implement Government's proposals on Localisation of Council Tax Benefits and Business Rates Retention to meet statutory deadlines with due regard to the overall impact on funding levels and budget sustainability and first stage of Welfare Reforms towards Universal Credit.	31-Jan-2013	 98%	14-Jan-2013 Local scheme approved by Council. Affected customers will receive notification of changes mid January as planned (this work is in progress). Documentation, website and publicity changes well in progress, to be completed by end of March 2013.	
CORPRISK06	CORPRISK06				

CORPRISK07					
Council 'misses' important issues and/ or is in breach of a requirement. The Council is a small organisation but it is still expected to respond to, and comply with, new legislation, strategies, audit requirements etc.					
Original Risk	Current Risk	Target Risk	Assigned To	Status	
			Corporate Management Team		
Linked Actions		Due Date	Progress	Latest Note	
RA12/13 14CWBE04	Support and advise on major strategic projects to ensure	31-Mar-2013	 50%	03-Jan-2013 Projects ongoing (note added on behalf of JA)	

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	sound and robust arrangements.				
RA12/13 15 CAL01	Promotion and monitoring of legal / probity requirements by all Solicitors through probity assessments at Committee.	31-Mar-2013	 60%	03-Jan-2013 Will be complete following Licensing Committee on 11th Feb (note added on behalf of JA)	
CORPRISK07	CORPRISK07				

CORPRISK08					
Fully formed IT strategy is not developed and implemented. There continues to be significant investment in the development of technology at the Council and 2011/12 saw major improvement in the delivery of ICT across the Council. Successes include the move to the Exchange email system and upgrade to MS Office 2007. We are at a critical stage in the development of technology with the move to the New HQ but the ICT Transition Plan mitigates this risk as far as possible.					
Original Risk		Current Risk		Target Risk	
					
Likelihood		Likelihood		Likelihood	
Impact		Impact		Impact	
				Corporate Management Team; Dave Johnson	
Linked Actions		Due Date		Progress	
RA12/13 16 RES07		30-Sep-2012		 70%	
Agreed Project Plans in place for significant actions for 2012/13, full implementation for New HQ occupation. Transition Plan in place and regularly updated, use of consultants as appropriate.				07-Mar-2013 Success move to new HQ including ICT facilities for New HQ including: New Total print solution LAN / WAN infrastructure upgrade Wireless upgrade including public access Network Address upgrade in line with Count IP Desktop / Laptop upgrade to assist with flexible working approach Firewall upgrades Assist relocating staff ICT to new HQ Other achievements include: Flexible, mobile and Home Working including roll out of thin client technology and BYOD for employees and members. Relocation Hub staff to Riverside.	
					
					

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				Set up of DR suite	
				New strategy currently being approved, focus in the first year on self service, website, security, desktop / server management, call centre upgrade and new communications channels	
CORPRISK08	CORPRISK08				

CORPRISK09 **Failure to optimise alternative delivery options.** The review of the future direction of the delivery of services to the local community including consideration of shared services and the localism agenda is challenging and must be carefully managed to ensure all opportunities are optimised whatever their guise. This revised approach to service delivery is being encouraged by Government and is required to make efficiencies and savings. It is the third part of the Council's transformation efforts following approval of the move to the new HQ. However there are always risks around the management of such arrangements, whether the work is being led by another organisation or led by the Council.

Original Risk	Current Risk	Target Risk	Assigned To	Status
<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	Corporate Management Team	




Linked Actions	Due Date	Progress	Latest Note	Status
RA12/13 17 CAL02	30-Dec-2012	70%	17-Sep-2012 Well in Progress	
RA12/13 18CWBE05	31-Mar-2013	50%	04-Sep-2012 The Wyre forest 'offer' drafted and work underway with Members on their role in the Community	
CORPRISK09	CORPRISK09			

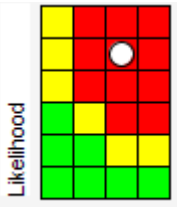
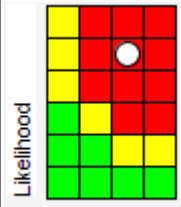
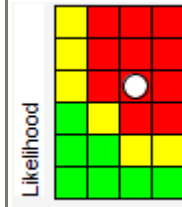

CORPRISK10 **Not able to maintain a skilled and motivated workforce.** Against the background of the erosion of staff conditions the Council needs to continue to maintain a workforce with adequate capacity, skills, experience and motivation – so still being seen by staff as a good employer. The restructure following the resignation of the Director of Resources in January and further changes scheduled following the move to the New HQ are also factors in the motivation and retention of the workforce.

Original Risk	Current Risk	Target Risk	Assigned To	Status
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 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	Corporate Management Team; Caroline Newlands	
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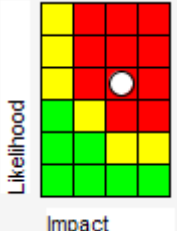
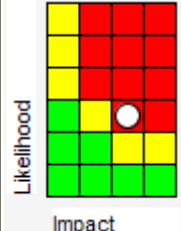
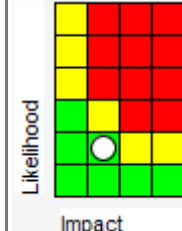

Linked Actions		Due Date	Progress	Latest Note	
RA12/13 19 CAL03	Develop a Wyre Forest Management Development Programme and re establish training and development budget.	31-Mar-2013	 30%	11-Jan-2013 Insights Training sessions held with CMT and WF20 Managers. Further training scheduled for January and March 2013	
RA12/13 20 CAL04	Continue to meet WF20 Managers to support on a bi monthly basis and rolling programme of secondment of members onto CMT.	31-Mar-2013	 25%	11-Jan-2013 HR Advisors continue to meet with WF20 managers to offer support.	
RA12/13 21 CAL05	Develop initiatives to support any workforce through organisational change including involvement of staff through suggestion scheme and System Thinking.	31-Mar-2013	 30%	11-Jan-2013 HR policies review programme ongoing and training sessions arranged if required.	
CORPRISK10	CORPRISK10				

CORPRISK11					
Capacity to do everything is insufficient. A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, review of partnerships. Whilst there has been recent commitment to the retention of 4 Directors for the short term, the prospect of further restructuring, together with the pace of change and need to continue to deliver key projects represents a significant resourcing risk over the next 12 months.					
Original Risk	Current Risk	Target Risk	Assigned To	Status	
 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	Corporate Management Team		

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Linked Actions		Due Date	Progress	Latest Note	
RA12/13 22 R8 E5	Ensure resources are monitored and managed to protect capacity issues when the Accountancy/Planning Systems Interventions take Place.	30-Dec-2012	<div style="width: 5%; background-color: blue;"></div> 5%	17-Sep-2012 The Accountancy intervention has not yet commenced. The Planning Intervention is in the early stages of the process.	
RA12/13 23 CMT01	Ensure involvement of appropriate staff from both within and outside WF20 onto projects to spread resourcing and maximise the opportunities for success.	31-Mar-2013	<div style="width: 25%; background-color: blue;"></div> 25%	17-Sep-2012 No significant issues identified	
CORPRISK11	CORPRISK11				

CORPRISK12 **Significant Corporate Projects leading to operational/efficiency savings not delivered effectively.** The Council has a number of complex significant projects to deliver, approved and reflected in the medium term financial strategy. These will be challenging to deliver to time and to budget and will require excellent project management supported by appropriate resourcing.

Original Risk	Current Risk	Target Risk	Assigned To	Status
			Corporate Management Team	

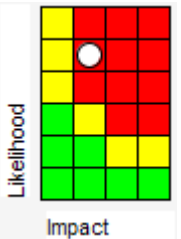
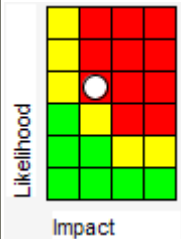
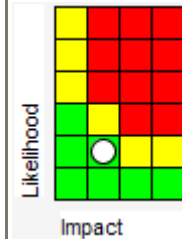




Linked Actions		Due Date	Progress	Latest Note	
RA12/13 24 CAL06	To ensure successful occupation of the New HQ in line with the detailed project plan. Note: a detailed risk register is maintained by RLB consultant, updated monthly and reported to the Project Steering Group.	30-Sep-2012	<div style="width: 100%; background-color: blue;"></div> 100%	07-Mar-2013 Complete	
RA12/13 25 CMT02	Progression of Systems Thinking methodology and delivery of target savings of £100k for 2012/13, with a	31-Mar-2013	<div style="width: 20%; background-color: blue;"></div> 20%	07-Mar-2013 Savings included in Wyre Forest Forward Programme.	

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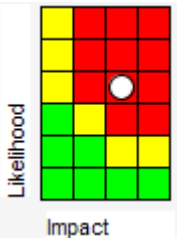
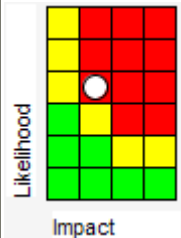
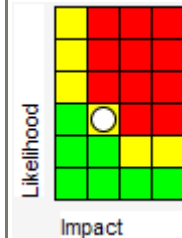




	strategy to deliver £250k by 2013/14 and £500k by 2014/15.				
RA12/13 26 CMT03	To deliver the Carbon Management Plan "spend to save" Cabinet Proposal with capital investment of £111k in 2012/13 with a strategic plan to achieve annual savings of £75k pa by 2016/17.	31-Mar-2013	 10%	04-Mar-2013 Year 1 bin lift and fuel management software completed; year 1 lighting for Town Hall/Green Street/Bewdley Museum currently at specification stage in readiness for Business Case; year 1 heating proposal for the 3 sites currently receiving Carbon Trust design assistance.	
RA12/13 27CWBE06	Use the multi-disciplinary project team and external consultancy as appropriate to deliver the Leisure Future Project to Time table. Appoint consultants, procure land and commence Procurement of DBOM contract in 2012/13 (longer timeframe for overall project delivery). Note: To develop and monitor a detailed risk register specific to this major project in liaison with project managers.	31-Mar-2013	 20%	07-Mar-2013 Technical Advisory team appointed and progressing tender documentation. Outline planning proposed May 2013. Conditional contract exchanged for site requisition.	
RA12/13 28 CMT04	Continue with the Wyre Forest Forward programme to rationalise future service provision completing Systems Interventions in line with the agreed plan.	31-Mar-2013	 85%	15-Feb-2013 Group Leaders will consider the proposed Wyre Forest Forward Programme of Projects for 2013/14 at their meeting on 14 March. Good progress continues to be made with the delivery of the existing programme.	
CORPRISK12	CORPRISK12				


CORPRISK13	Unable to effectively improve the Council's reputation. The Council's reputation is extremely important, progressive improvement is important and can be subject to political influence that is difficult to predict and control. Effective consultation and communication with increased focus on customer (both internal and external) engagement are key to this gradual progression - along with purposeful service delivery.				
Original Risk	Current Risk	Target Risk	Assigned To	Status	

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			Corporate Management Team		
Linked Actions		Due Date	Progress	Latest Note	
RA12/13 29 CMT05	Devise and implement additional action plan to improve the Council's reputation with the public. To then keep this under regular review and update as appropriate.	31-Mar-2013	 10%	17-Sep-2012 Enhanced Reputation Programme is underway and regular monthly meetings in progress.	
RA12/13 30 CMT06	Devise and Implement an action plan to improve employee and member engagement further. To then keep this under regular review and update as appropriate.	31-Mar-2013	 10%	17-Sep-2012 Engagement Plan underway with regular review.	
RA12/13 31 CMT07	To utilise Systems Thinking Methodology to devise and implement a Leadership action plan to support the progressive improvement of the Council's reputation. To then keep this under regular review and update as appropriate.	31-Mar-2013	 20%	13-Sep-2012 Leadership dashboard (leading and lagging measures) in place and being considered monthly Leadership development programme – principle agreed, funding allocated, needs assessment undertaken by CMT Culture and behaviours – work done by CMT and WF20 on "what does good look like?"	
CORPRISK13	CORPRISK13				
CORPRISK14	Member skills and/or competencies are inadequate. All political groups sometimes struggle to find suitable candidates to stand. Member training takes place but is not universally attended. Increased pressure on members to develop specialist roles and devote more time.				
Original Risk	Current Risk	Target Risk	Assigned To	Status	

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			Corporate Management Team		
Linked Actions		Due Date	Progress	Latest Note	
RA12/13 02CWBE02	Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. Monthly Group Leaders Meetings and regular Member Forums and to continue to develop the Members Forum.	31-Mar-2013	 75%	07-Jan-2013 An additional meeting of the Members' Forum was held on 18 December which provided a detailed introduction to Systems Thinking and an update on the various reviews and interventions which are ongoing across various service areas. At the next Forum meeting on 17 January Members will be provided with an update on all of the Wyre Forest Forward Projects.	
RA12/13 33 CAL07	Induction and training of Members. • Consult with Members, CMT and other Managers by January 2012 • Agree timetable and outcomes for training by March 2012 • Publish training timetable by April / May 2012.	31-Mar-2013	 100%	17-Sep-2012 Completed	
RA12/13 34 CAL08	To develop and implement an action plan to deliver the My street, My Community project and to engage members to work with the Community and other organisations to deliver services in new/different ways.	31-Mar-2013	 50%	05-Dec-2012 New area on website developed and now live for all extant areas of localism, including community involvement opportunities, initiatives and support available for communities.	
CORPRISK14	CORPRISK14				

Risk Status	
	Alert

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	High Risk
	Warning
	OK
	Unknown