

Open

Audit Committee

Agenda

6pm
Monday, 30th June 2014
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor T Onslow
Vice Chairman: Councillor J Hart

Councillor J Holden
Councillor M Kelly
Councillor J Phillips

Councillor L Hyde
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 and Electoral Services 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, 30th June 2014

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 Solicitor to the Council, 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 24th March 2014.	6
5.	Audit Update Report To receive an update report from Grant Thornton in relation to audit progress and update for 2013/14.	10
6.	External Audit Fee Letter 2014/15 To receive a report from Grant Thornton in relation to the planned audit fee for 2014/15.	26
7.	Internal Audit Monitoring Report Quarter Ended 31st March 2014 To receive a report from the Section 151 Officer and the Principal Auditor informing Members of the Internal Audit Monitoring Report quarter ended 31 st March 2014.	29

8.	<p>Internal Audit - Compliance With The Public Sector Internal Audit Standards 2013</p> <p>To receive a report from the Section 151 Officer and Principal Auditor advising of the results of the Self Assessment exercise.</p>	42
9.	<p>Internal Audit Annual Assurance Report 2013/2014</p> <p>To receive a report from the Section 151 Officer and Principal Auditor which asks for approval of the Internal Audit Annual Assurance report.</p>	78
10.	<p>Annual Governance Statement</p> <p>To receive a report from the Chief Financial Officer which asks for approval of the Annual Governance Statement and Annual Governance Action Plan 2013/2014 for inclusion within the Statement of Accounts.</p>	87
11.	<p>Report on Final Accounts</p> <p>To receive a report from the Chief Financial Officer which asks the Committee to consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2013/14. (The actual pre-audit copy of the full Statement of Accounts will follow.)</p>	94
12.	<p>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
13.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

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

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER

24TH MARCH 2014 (6PM)

Present:

Councillors: E Davies (Chairman), C Brewer, P Dyke, D R Godwin, J Greener, M B Kelly, C Rogers and S J Williams.

Observers:

Councillor N J Desmond and Councillor J A Shaw.

AUD.31 Apologies for Absence

Apologies for absence were received from Councillors D C H McCann and J W Parish.

AUD.32 Appointment of Substitutes

Councillor C Brewer was appointed as a substitute for Councillor J W Parish. Councillor D R Godwin was appointed as a substitute for Councillor D C H McCann.

The Chairman welcomed Councillor S J Williams to the meeting who had been appointed to replace Councillor J Phillips on the Committee.

AUD.33 Declarations of Interests by Members

No declarations of interest were made.

AUD.34 Minutes

Agreed: The minutes of the meeting held on 2nd December 2013 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.35 Audit Update

The Committee received an update report from Gill Edwards, Grant Thornton on the progress made in delivering their responsibilities as the Council's external auditors.

Councillor D Godwin entered the meeting at this point, (6.03pm), Councillor N Desmond entered at 6.05pm.

Members were led through the report which also provided an update on the emerging national issues and developments. In response to a Members'

Agenda Item No. 4

question regarding the changes to the public services pension scheme, the Chief Financial Officer agreed to circulate further information to Committee Members about the option for employees to reduce their contributions by 50% to receive 50% less benefit and any impact this would have on the Council's contribution rate.

Agreed:

- **The update be noted.**
- **The Chief Financial Officer to circulate further details of the 50/50 pension option to Members of the Committee.**

AUD.36 Fraud Report

The Committee received a powerpoint presentation, entitled Protecting the Public Purse Fraud Briefing, from Grant Thornton.

The Committee agreed this topic should be incorporated into the Induction training programme for all Members.

Agreed:

- **The presentation be noted.**
- **The Chief Financial Officer to incorporate this topic into the Members induction training programme.**

AUD.37 Informing the Audit Risk Assessment for Wyre Forest District Council

The Committee received a report from Grant Thornton on Informing the Audit Risk Assessment for the Council. Members were advised the report contributes towards the effective two-way communication between the external auditors and the Audit Committee.

Agreed: The update be noted.

AUD.38 Grant Certification Report

The Committee received the Grant Certificate report for 2012/2013 from Grant Thornton. Members were advised the external auditors had certified two claims and returns for the financial year relating to £67.75 million.

Agreed: The update be noted.

AUD.39 Grant Certification Plan Report

Members received the Grant Certification Work Plan from Grant Thornton for the year ended 31st March 2014.

Agreed: The report be noted.

AUD.40 Benchmarking Your Arrangements for Securing Financial Resilience

The Committee received a report from Grant Thornton on the benchmarking arrangements for securing financial resilience for the Council. Members considered the results and found the report to be very useful and informative.

Agreed: The report be noted.

AUD.41 The Indicative Audit Plan

Members considered a report from Grant Thornton on the Indicative Audit Plan. Gill Edwards led Members through the report and outlined the approach to the audit procedures.

Agreed: The report be noted.

Councillor J Shaw left the meeting at this point, (6.55pm).

AUD.42 Public Sector Internal Audit Standards 2013 - Internal Audit Charter

The Committee received a report from the Section 151 Officer which proposed the adoption of an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards in place from April 2013.

Agreed: The Internal Audit Charter, as attached at Appendix 1 to the report to the Audit Committee, be approved.

AUD.43 Audit Section Review Update

The Committee received a report from the Chief Financial Officer which informed Members of the recent review of the Internal Audit Team and the decision not to join the Worcestershire Internal Audit Shared Service.

Decision: The Audit Committee considered and noted the recent review of the Internal Audit Team.

AUD.44 Internal Audit - Annual Audit Plan 2014 – 2015

The Committee considered a report from the S151 Officer which informed Members of the Internal Audit - Annual Audit Plan 2014-2015. The Principal Auditor led Members through the report and advised that the audit plans had been prepared in accordance with the Internal Audit Charter.

Agreed:

- **The Internal Audit - Annual Audit Plan 2014 - 2015, as attached as Appendix 1 to the Audit Committee report, be approved.**
- **Approval be given for the Section 151 Officer to amend the plan in consultation with the Principal Auditor in light of developments arising during the year as described in paragraph 3.7 of the report to the Audit Committee.**

AUD.45 Internal Audit Monitoring Report Quarter ended 31st December 2013.

The Committee received a report from the Section 151 Officer which informed Members of the Internal Audit Monitoring Report for the quarter 3.

Agreed: The Internal Audit Monitoring report for the Quarter ended 31st December 2013, as detailed in appendix 1 of the report to be Audit Committee, be noted.

AUD.46 Corporate Procurement Strategy

The Committee considered a report which proposed an updated Corporate Procurement Strategy which had been reviewed and linked to the Council's objectives.

Agreed: Recommend to Cabinet:

The Updated Corporate Procurement Strategy, as attached at Appendix 1 to the report to the Audit Committee, be approved.

AUD.47 Annual Governance Statement

The Committee received a report from the Chief Financial Officer on the current position in relation to the action plan which was developed to address the issues identified within 2012/13.

The Chief Financial Officer led Members through the report and gave a verbal update on the recovery of the Icelandic Bank investments.

Agreed: The progress against the Annual Governance Statement Action Plan 2012/13, as attached at Appendix 1 of the report to the Audit Committee, be approved.

AUD.48 Risk Management - Corporate Risk Register

The Committee received a report from the Chief Financial Officer which informed Members of the current Corporate Risk Register.

The Chief Financial Officer led Members through the report and advised that Grant Thornton had recognised the work the Council had achieved in this area.

Agreed: The Corporate Risk Register and the associated mitigating actions as at 31st December 2013 be noted.

There being no further business, the meeting ended at 7.25pm.



Audit Committee Update for Wyre Forest District Council

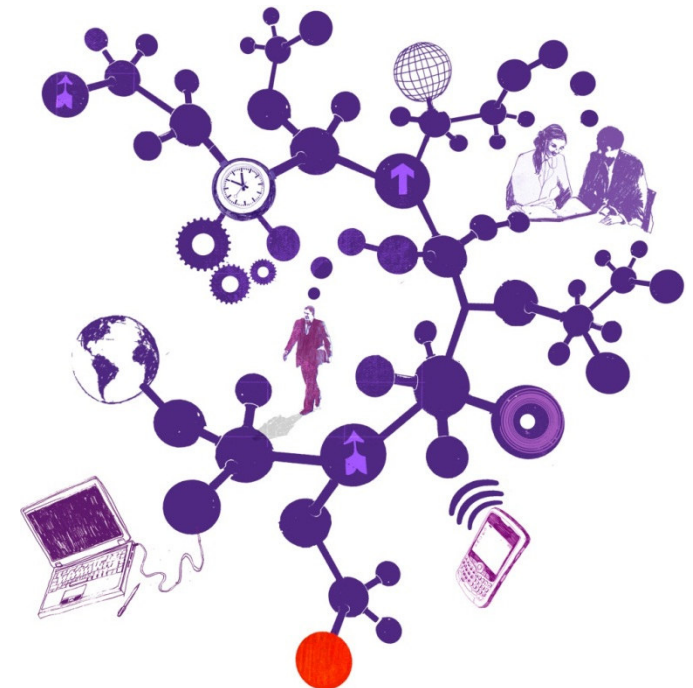
Year ended 31 March 2014

June 2014

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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.

Contents

Section	Page
Introduction	4
Progress at May 2014	5
Emerging issues and developments	
Accounting and audit issues	8
Local government guidance	12
Grant Thornton	15

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; and
- 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

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 June 2014

Work	Planned date	Complete?	Comments
<p>2013-14 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 2013-14 financial statements.</p>	March 2014	Yes	Presented at March Audit Committee
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March/April 2014	Yes	<p>Interim audit work completed included a review of the council's control environment by reviewing key documents and holding discussions with key members of staff.</p> <p>Early testing was completed in some areas of the financial statements i.e. Operating expenditure, related party transactions, journals and property, plant and equipment testing.</p> <p>Work on the arrangements in respect of fraud, legality, going concern and related party transactions are included in the report 'Informing the risk assessment' which was presented at the March audit committee</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the council 's accounts • proposed Value for Money conclusion. 	July 2014	No	The audit will commence in July 2014 with an opinion issued to the Audit Committee in September

Progress at June 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • Review of the VfM risk Assessment Tool • Financial Resilience Report 	April/July 2014	No	The conclusion will be presented in a report to the Audit Committee in September 2014.
<p>Other activity undertaken</p> <ul style="list-style-type: none"> • Management to attend GT CIPFA/FAN closedown workshop • Issuing of our report "Reaping the Benefits" • Issuing of our Local Government Financial Resilience Report • Issuing of our report "Responding to the Challenge – alternative delivery models in Local Government" • We are hosting a Local Government Audit Committee Network at our Birmingham office on 2 July. The theme for this inaugural meeting will be Financial Reporting in Local Government – providing challenges to the draft financial statements including an update on current topics. 	N/A	n/a	n/a

Emerging issues and developments

Section	Page
Understanding your accounts – member guidance	8
Accounts – our top issues	9
Accounts – CIPFA bulletin	11
Not to be rubbished, £464 million potential savings	12
Assessing the costs and benefits of local partnerships	13
Working in tandem – Local Government Governance Review 2014	14
Events	15

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager.

Challenge question

Have members referred to this guidance?

Accounts – our top issues

Accounting and audit issues

Top 7 issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top 7 issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs and a new service line for Public Health been addressed? Have comparatives been restated?

Accounts – our top issues

Accounting and audit issues

6. In the pension accounts, have the following disclosures required by the Code been included that are in addition to those set out in the CIPFA example pension fund accounts:

- the relationship between net assets available for benefits and the present value of promised retirement benefits
- an accounting policy for measurement of assets held at amortised cost.

7. Have you agreed a detailed closedown plan with your auditors? Does this include:

- how to deal with known major issues?
- a protocol for dealing with new issues as they arise?
- a date for a post-implementation review?

Challenge question

Has your Chief Financial Officer addressed the closedown issues and assessed the potential impact for your financial statements?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Challenge question

Has your Chief Financial Officer reviewed the guidance and assessed the potential impact for your financial statements?

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

Challenge questions

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?;
- spending on different components of waste management compares with authorities that have similar or better performance?

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Challenge question

Has the authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Challenge questions

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Authority reviewed these case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?

Events

Grant Thornton

Events

We are involved in organising and supporting various events for our local government clients including the following.

- Following on from our recent national report on welfare reform Reaping the Benefits we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events
- We are sponsoring the Centre for Public Scrutiny (CFPS) annual Scrutiny Camp Unconference in London on 11 June
- We are also sponsoring The Municipal Journal's annual Growth Agenda conference on 4 June where we will be launching our Where Growth Happens report
- For the third year running we are sponsoring the conference drinks reception at CIPFA's Annual Conference, taking place in London on 2 July
- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July, in Nottingham
- We are hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.



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23 April 2014

Dear Tracey

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £64,348, which is the same audit fee for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £12,220.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	16,087
December 2014	16,087
March 2015	16,087
June 2015	16,087
Grant Certification	
December 2015	12,220
Total	76,568

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in August 2014 and work on the whole of government accounts return in September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	Jan – March 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Final accounts audit	July to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Mark Stocks	0121 232 5437	mark.c.stocks@uk.gt.com
Engagement Manager	Mark Surridge	0121 232 5338	mark.n.surridge@uk.gt.com
Audit Executive	Kate Kenderdine	0121 232 5316	kethryn.a.kenderdine@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner (jon.roberts@uk.gt.com) .

Yours sincerely

Mark Stocks
For Grant Thornton UK LLP

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
30th JUNE 2014**Internal Audit Monitoring Report**
Quarter Ended 31st March 2014

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	S151 Officer
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Internal Audit Monitoring Report for the Quarter ended 31st March 2014

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st March 2014, attached as Appendix 1.

2. RECOMMENDATIONS

The Audit Committee is asked to CONSIDER:

- 2.1 The Internal Audit Monitoring Report for the Quarter ended 31st March 2014 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 2013~14 in March 2013 as part of the 3 year 2012~15 Strategic Audit Plan. This plan takes into account changes in priorities or risk.
- 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 Leadership Team and to the External Auditors.

3.5 The Report attached as an Appendix contains 5 sections which are:

- Section 1 **Final** internal audit reports issued in the quarter
- Section 2 **Follow up** reviews undertaken in the quarter incorporating Recommendations in progress
- Section 3 **Draft** internal audit reports issued in the quarter
- Section 4 **Work In Progress** to include draft reports issued following completion of Annual Audit Plan
- Section 5 **Performance Statistics**
- Section 6 Final Audit Reports issued in the period 1st April 2013 to 31st December 2013

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 Internal Audit Charter¹ requires an annual opinion on the Council's internal control environment. This 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

¹ Previously the Terms of Reference

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 Leadership 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 present 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 regular reports in respect of the Council's performance in delivering the Wyre Forest Forward Programme.
- 4.3 The Internal Audit Team operate in accordance with recognised Internal Audit Standards². Procedures are monitored to ensure that the Internal Audit Team procedures remain compliant.
- 4.4 The Internal Audit Charter requires an annual opinion on the Council's internal control environment. This 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.

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.

² The UK Public Sector Internal Audit Standards (UKPSIAS) from April 2013 (previously CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006).

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.

7.4 A relevant member of the Internal Audit Team will be involved in future Wyre Forest Forward Systems Thinking reviews to oversee and advise on proposed system changes to ensure Key Controls are not compromised as part of the Consultancy and Advisory role detailed within the Internal Audit Plan.

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 March 2014 is reported within Appendix 1. This information is presented to members in accordance with the Internal Audit Charter¹ for the Internal Audit Team.

10. CONSULTEES

10.1 Corporate Leadership Team

10.2 Cabinet Member for Resources & Transformation

11. BACKGROUND PAPERS

11.1 24th March 2014 ~ Audit Committee ~ Internal Audit Charter.
18th March 2013 ~ Audit Committee ~ Internal Audit Annual Plan 2013~14.
12th March 2012 ~ Audit Committee ~ Strategic Audit Plan 2012~2015.
Accounts and Audit (England) Regulations 2011 (SI 817).



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st MARCH 2014**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31st MARCH 2014

INDEX	PAGE
SECTION 1 Final Audit Reports issued in the Quarter	35
SECTION 2 Follow up Reviews undertaken in the Quarter	37
SECTION 3 Draft Audit Reports issued in the Quarter	37
SECTION 4 Work In Progress (Including Action Plans Issued)	38
SECTION 5 Performance against Annual Plan for the Financial Year 2013/14 Including Consultancy & Advice for the Quarter	39 40
SECTION 6 Final Audit Reports Issued in the Period 1 st April 2013~31 st December 2013 (Key Systems)	41

Cheryl Ellerton
PRINCIPAL AUDITOR

Tracey Southall
SECTION 151 OFFICER

24th May 2014

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st MARCH 2014		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems		
Bank Reconciliations (Income & Expenditure) 2013~14	F	-
Cash To Bank (Worcestershire HUB~KIOSKS) 2013~14	F	-
Council Tax Compliance 2013~14	F	-
Housing Benefits & Council Tax Discount Local Scheme (Compliance) 2013~14	S	36
NNDR Compliance 2013~14	F	-
NNDR Reconciliations 2013~14	F	-
Payroll ~ PAYE (HMRC Real Time Submissions) 2013~14	F	-

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
U = Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations ~ provides little or no assurance. A significant internal control is one which is key to the overall framework of controls.	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: Housing Benefits and Council Tax Discount Local Scheme Compliance Testing 2013/14 BUDGET: Estimated Benefit Payments £33,152,270 (2013~14) REF: A280 BENEFIT PAYMENTS	ACTION PLANS ISSUED 24 th July 2013 (HB & Ctax discount) 9 th September 2013 (Ctax Discount)/8 th October (HB) DRAFT REPORT DATE ISSUED: 4 th March 2014 FINAL REPORT DATE ISSUED: 19 th March 2014	SERVICE: Chief Executive (Revenues & Benefits) RESPONSE DATE: Action Plans 29 th July /9 th September/9 th October 2013 Respectively Draft Report response 19 th March 2014
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview

This Audit forms part of the annual assurance reviews undertaken as part of the annual internal audit plan 2013-14. The review was carried out to ensure that benefits payments for both rent allowance claims and council tax support under the local scheme are assessed appropriately and calculated accurately. Overpayment accounts were also tested to ensure that calculations were accurate and recorded in the Subsidy Report in the instance of Housing Benefit..

A random sample of accounts with Housing Benefit and Council Tax Discount Local Scheme entitlement was selected and examined in detail to ensure there is adequate proof of income and / or valid Department of Works and Pensions notification; adequate proof of capital and any income from capital is correctly calculated; that the level of disregards against income, non-dependant income and allowances and premiums have been assessed and applied correctly. There is a signed benefit application form and evidence of proof of identity. Additional testing for Housing benefit included verifying the benefit is based on the correct eligible rent. Additional testing for Council Tax Discount included confirming that the Civica Council Tax records were appropriately updated, that the property is not void and the claimants are the liable people to pay Council Tax. A random sample of accounts with a Housing Benefit overpayment and Council Tax discount overpayment was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original benefit assessment was calculated accurately, the revised assessment was calculated accurately and the overpayment was correctly stated in the subsidy and overpayment reports produced by the Civica (Benefits) computer system, and being recovered in accordance with legislation.

Detailed compliance testing to cover a full calendar year was undertaken throughout the year. Following each phase of testing, Action Plans were issued to the Corporate Customer Development Manager. Any matters arising were dealt with promptly, in some instances resulting in the claim being reassessed. Within the final phase of testing for Housing Benefit it was found that for one claimant the wages may have been miscalculated. This was brought to the attention of the Principal Benefits Officer and the claim is currently suspended due to non-submission of the information requested.

There were no issues within the final phase of testing of the Council Tax Discount Local Scheme.

Conclusion

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

SECTION 2

Quarter Report to the 31st March 2014

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	
COMPUTER AUDIT SYSTEMS							
CAIRO (Committee Assistance Internet Retrieval & Organisation) Computer Application 2012~13	K	S	3	3	0	0	-

SECTION 3

Quarter Report to the 31st March 2014

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2014		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
CORE FINANCIAL SYSTEM REVIEWS		
Accounting Journals (Extract of Budgetary Control/Monitoring) 2013~14	12.03.14	Response 20.05.14/Final Report 05.06.14
Council Tax (Reconciliations) 2013~14	15.04.14	Reminder 28.05.14
Payroll (Compliance) ~ WFDC (Arrangements within the Accountancy Team) 2013~14	31.03.14	Response 20.05.14/Final Report 05.06.14
Payroll (Reconciliations) ~ WFDC (Arrangements within the Accountancy Team) 2013~14	04.04.14	Response 20.05.14/Final Report 05.06.14
VAT (Arrangements for Collection/Payment/Accounting for Value Added Tax) 2013~14	11.03.14	Response 20.05.14/Final Report 05.06.14

SECTION 4

Action Plans have been issued to Managers during the quarter. In addition, The table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2013~14 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31st March 2014			
AUDIT REVIEW	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3
Elections & Electoral Register 2013~14	08.01.14	-	-
Travel & Subsistence Claims 2013~14	-	20.01.14	31.01.14
FIELD WORK COMPLETED TO DRAFT REPORT STAGE AFTER 31ST MARCH 2014 FINALISING 2013~14 INTERNAL AUDIT ANNUAL PLAN			
AUDIT REPORT TITLE			
ANNUAL ASSURANCE REVIEWS			
Cash to Bank (Miscellaneous Income) 2013~14			
Cash to Bank (Cash Income Streams) 2013~14			
Budgetary Control & Monitoring 2013~14			
Creditors (Accounts Payable) Compliance 2013~14			
Creditors (Accounts Payable) Reconciliations 2013~14			
Debtors (Accounts Receivable) ~ Compliance/Reconciliations 2013~14			
Establishment ~ Employee/Member Database (Reconciliation) 2013~14			
Housing Benefit (Overpayments Reconciliations) 2013~14			
CYCLICAL SYSTEM REVIEWS			
Bewdley Museum 2013~14			
Corporate Fees & Charges 2013~14/2014~15			

SECTION 5

Performance Against Annual Plan For The Financial Year 2013/14Quarter ended 31st March 2014Year to 31st March 2014

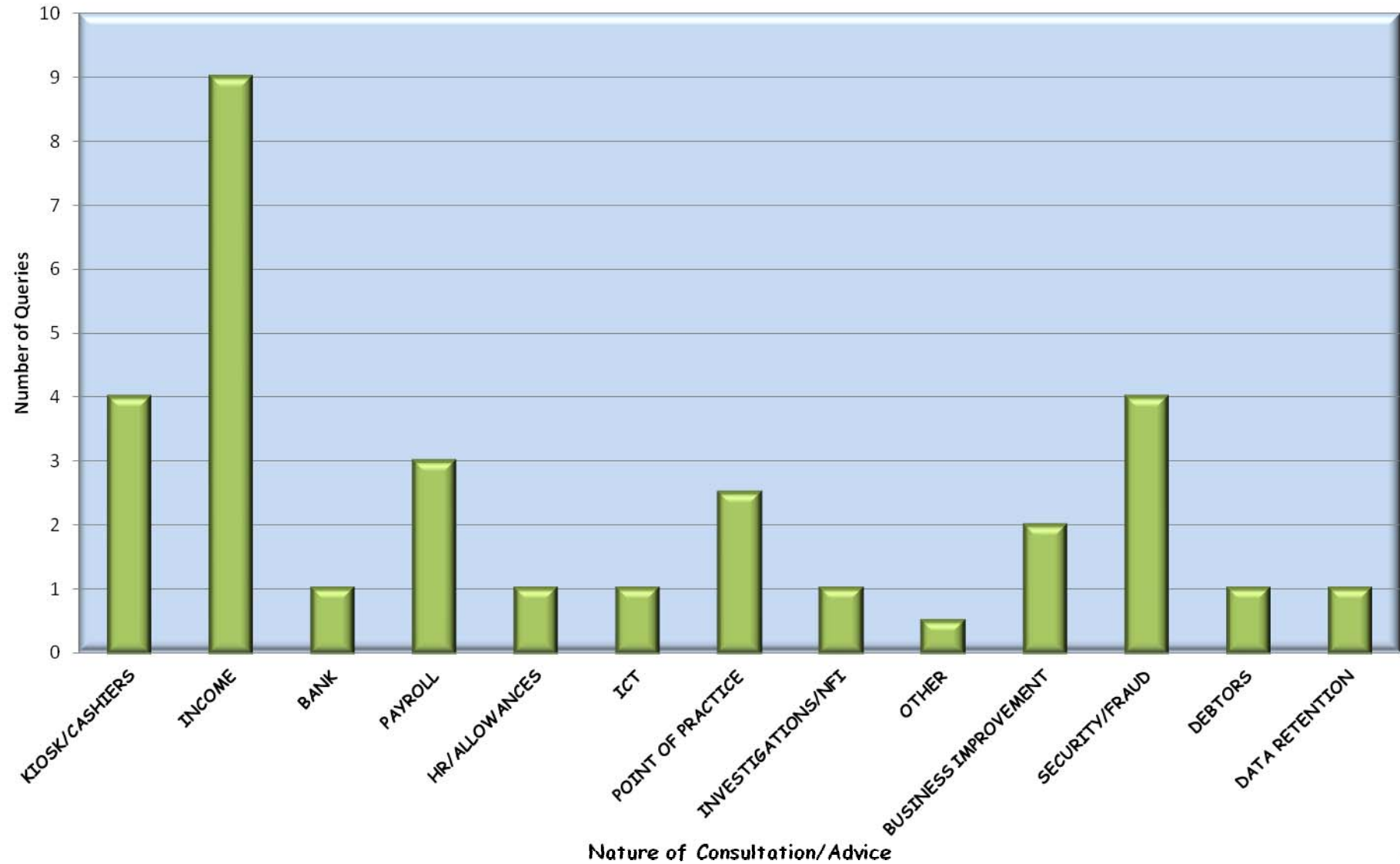
	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>		<u>Year Actual</u>	<u>Annual Plan</u>	<u>Year to Date Actual as a % of Plan</u>
	<u>Days</u>	<u>Days</u>	<u>%</u>		<u>Days</u>	<u>Days</u>	<u>%</u>
System and Probity	102.25	93.75	109.07%	System and Probity	407.00	375	108.53%
Computer Audit	10.25	12.50	82.00%	Computer Audit	31.25	50	62.50%
Contract Audit	4.50	7.50	60.00%	Contract Audit	15.75	30	52.50%
Consultancy and Advice	8.50	12.50	68.00%	Consultancy and Advice	33.25	50	66.50%
Irregularity	2.25	5.00	45.00%	Irregularity	10.50	20	52.50%
Specific Service Duties	6.00	6.25	96.00%	Specific Service Duties	26.00	25	104.00%
Sub Total	133.75	137.50	97.27%	Sub Total	523.75	550	95.23%

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

For the quarter to 31st March 2014 actual against plan was **97.27%** compared to a target of **95%**. Overall for the financial year 2013/14 **95.23%** (target 95%) of the Annual Audit Plan has been actioned an improvement on the 94.6% achievement in 2012~13 against a 95% target.

Within the time allocated in the above table, during this fourth quarter of 2013~14 the Internal Audit Team have responded to 31 requests for advice and consultancy as categorised in the graph overleaf.

Annual Summary of Audit Advice January - March 2014



SECTION 6

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.
FINAL AUDIT REPORTS ISSUED IN THE PERIOD 1 ST APRIL 2013 TO 31 ST DECEMBER 2013 - KEY SYSTEMS	
QUARTER ENDED 30 TH JUNE 2013	ASSURANCE
CORE FINANCIAL SYSTEM REVIEWS	
Cash To Bank (Car Parks Display Income) Reconciliations 2012~13	S
Insurance 2012~13	F
CORPORATE SYSTEM REVIEWS	
Human Resources ~ Establishment (Staff Record Forms) 2012~13	S
QUARTER ENDED 30 TH SEPTEMBER 2013	
CORE FINANCIAL SYSTEM REVIEWS	
Accounting Journals 2012~13	S
Cash To Bank (Car Parks Display Income) Reconciliations 2013~14	F
Corporate Creditors (Compliance) 2012~13	S
Corporate Creditors (Reconciliations) 2012~13	S
Corporate Debtors (Compliance & Reconciliations) 2012~13	S
Establishment (Reconciliation) 2012~13	S
Payroll (WFDC) ~ Compliance & Reconciliations 2012~13	S
CORPORATE SYSTEM REVIEWS	
Procurement Cards 2012~13	S
COMPUTER AUDIT REVIEWS	
CAIRO (Committee Assistance Internet Retrieval & Organisation) Computer Application 2012~13	S
QUARTER ENDED 31 ST DECEMBER 2013	
CORE FINANCIAL SYSTEM REVIEWS	
Payroll Compliance (Collaboration with Redditch BC) ~ 2012/13	S
Treasury Management ~ 2013~14	F
CONTRACT SYSTEM REVIEWS	
Procurement of Splash Pads 2013~14 (Awarding of Contract)	F

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
30TH JUNE 2014**Internal Audit - Compliance With The
Public Sector Internal Audit Standards 2013**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall, Extension No. 2100 tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Internal Audit ~ Compliance with UK Public Sector Internal Audit Standards 2013

1. PURPOSE OF REPORT

- 1.1 To inform members on Internal Audit's compliance against the UK Public Sector Internal Audit Standards (UKPSIAS) that came into effect on 1st April 2013 as adopted by the Audit Committee at it's meeting of 2nd December 2013.

2. RECOMMENDATION

The Audit Committee is asked to NOTE and APPROVE:

- 2.1 **The completed checklist showing Internal Audit – Compliance with the UK Public Sector Internal Audit Standards 2013, as detailed in the Appendix to the report.**

3. BACKGROUND

- 3.1 The Council is required to comply with the Accounts and Audit (England) Regulations 2011. These require that the Council must “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 3.2 The guidance accompanying the legislation states that the proper internal control practice for internal audit has previously been those contained within the CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom, (the CIPFA Code). This had been recognised as best practice and adopted by Wyre Forest District Council with previous self assessments of the Internal Audit Team against the CIPFA code reported to the Audit Committee.
- 3.3 A collaboration by CIPFA with the Chartered Institute of Internal Auditors (IIA) led to the development of the new set of Internal Audit Standards (UKPSIAS) which provide for a consistent internal audit framework for the whole of the public sector. These new

standards effectively replace the CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom 2006.

- 3.4 The new standards are intended to promote further improvement in the professionalism, quality and effectiveness of Internal Audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Management with the assurance they need.
- 3.5 Overall, the contents within the Standards are a continuation of existing best practice and build on the CIPFA Code. The UKPSIAS are based on the mandatory elements of the International Professional Practices Framework issued by the Global Institute of Internal Auditors which sets out the following:-
- Definition of Internal Auditing;
 - Code of Ethics;
 - International Standards for the Professional Practice of Internal Auditing.
- 3.6 A report detailing the UKPSIAS was presented to the Audit Committee in December 2013 advising on the requirement of the Internal Audit Section to conform to the standards and to report any areas of non-conformance. The Audit Committee were advised that the implementation of the new standards would require a revision of the Internal Audit Terms of Reference with a formulation of an Audit Charter. The Charter was formally approved by the Audit Committee 24th March. The standards also require a self assessment of the Internal Audit Team against the standards. This has been undertaken by the Principal Auditor in consultation with the S151 Officer with the outcomes as detailed in the attached Appendix.

4. KEY ISSUES

- 4.1 In Local Government, the UKPSIAS are mandatory for all local authorities subject to the Accounts and Audit (England) Regulations 2011. The new standards for Internal Audit must be complied with and procedures monitored to ensure that the Internal Audit Team remain compliant.
- 4.2 In complying with the UKPSIAS, the Council can provide assurance to Members, External Audit and external customers of the team's professionalism, quality and effectiveness.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The requirement for an internal audit function is contained within Section 151 of the Local Government Act 1972 that requires local authorities to "make arrangements for the proper administration of their financial affairs". The Council has delegated these powers to the Chief Financial Officer as provided in the Council's Constitution.
- 6.2 More specifically the Accounts and Audit (England) Regulations 2011 require local authorities to:

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

7. RISK MANAGEMENT

- 7.1 The Internal Audit service is one element of the Council's assurance/internal control framework. This Key Assurance Service 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. Compliance with the UK Public Sector Internal Audit Standards ensures the Council continues to comply with best practice and mitigates risk accordingly.

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 results of the self assessment are as reported in the attached appendix. The results are sound overall; there is only one area of non-compliance in respect of the required external assessment.
- 9.2 The requirement for an external assessment (to be undertaken every 5 years) is new. The UKPSIAS took effect from 1st April 2013, therefore there is no requirement to have undergone an external assessment until March 2018. The formation of the Internal Audit Team is likely to change over the next four years to reflect changes within the Council, consequently, the timing of the external assessment will be in consultation with the S151 Officer and the Audit Committee.
- 9.3 There are some areas of partial compliance, however, these are not of immediate concern and will be reviewed and the outcomes reported to a future audit committee.

10. CONSULTEES

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

11. BACKGROUND PAPERS

Internal Audit Charter ~ Audit Committee ~ March 2014.
Adoption of the UKPSIAS Standards ~ Audit Committee ~ December 2013.
United Kingdom Public Sector Internal Audit Standards ~ April 2013.
CIPFA Local Government Application Note 2013.
Accounts and Audit (England) Regulations 2011 (SI 817).

INFORMATION:

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Evidence for each response must be provided and reasons for any partial or full non-conformance should be given, together with any compensating measures in place or actions in progress to address this.

KEY:

CAE = Chief Audit Executive. WFDC equivalent is the Head of Internal Audit (Principal Auditor)

THE BOARD = Audit Committee

Ref	Conformance with the Standard	Y	P	N	Evidence
1	Definition of Internal Auditing				
Using evidence gained from assessing conformance with other Standards, is the internal audit activity:					
	a) Independent?	✓			As assessed against the previous Cipfa Code, compliance with this code and IIA standards is a requirement identified in all Job Descriptions. The Internal Audit Charter determines that Auditors if extensively consulted during system, policy or procedural development their independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and or the following financial year after their involvement.
	b) Objective?	✓			
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓			
2	Code of Ethics				
<u>Integrity</u>					
Using evidence gained from assessing conformance with other Standards, do internal auditors:					
a)	Perform their work with honesty, diligence and responsibility?	✓			Internal Audit perform their work with honesty, diligence and responsibility. The Principal Auditor is not aware of any incidents in which these attributes have been questioned.
b)	Observe the law and make disclosures expected by the law and the profession?	✓			The Principal Auditor is not aware of any incidents.
c)	Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation?	✓			The Principal Auditor is not aware of any incidents.
d)	Respect and contribute to the legitimate and ethical objectives of the organisation?	✓			The Internal Audit Team respect and contribute to the objectives of the Council

Ref	Conformance with the Standard	Y	P	N	Evidence
<u>Objectivity</u>					
Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:					
a)	Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?	✓			Auditors do not take part in any activity or relationship that may impair their unbiased judgement. Auditors are assigned to projects where there is a possibility that internal control systems will be affected. This is a key way for Internal Audit to add value and strengthen internal control arrangements. Where an Auditor is providing system advice, they are not permitted to audit this service area for a minimum of 12 months. Where this is not feasible, the benefit of utilising the experience of developing controls and procedures outweighs concerns of independence. The internal audit report will ensure an objective and evidenced based audit opinion.
b)	Accepting anything that may impair or be presumed to impair their professional judgement?	✓			
c)	Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	✓			
<u>Confidentiality</u>					
Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:					
a)	Acting prudently when using information acquired in the course of their duties and protecting that information?	✓			Principal Auditor is not aware of any incidents. The inappropriate use of information by Auditors would be dealt with under the corporate Disciplinary procedure/Employee Code of Conduct.
b)	Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?	✓			
<u>Competency</u>					
Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:					
a)	Only carrying out services for which they have the necessary knowledge, skills and experience?	✓			
b)	Performing services in accordance with the PSIAS?	✓			
c)	Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	✓			Internal HR Personal Development Reviews; Structured: Attend the annual Cipfa Audit Training Seminars. Unstructured: Cipfa Technical Information Service CPD in accordance with Professional Bodies..
	Do internal auditors have regard to the on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	✓			Included as part of the Internal Audit Manual; to form part of the induction for Internal Auditors to support the Employee Code of Conduct and the IIA Code of Ethics.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Standards				
3	Attribute Standards				
3.1	1000 Purpose, Authority and Responsibility				
Does the internal audit charter include a formal definition of:					
a) b) c)	the purpose the authority, and the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	✓			Approved by March 2014 Audit Committee
LGAN	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.	✓			Approved by March 2014 Audit Committee
Does the internal audit charter also:					
a)	Set out the internal audit activity's position within the organisation?	✓			
b)	Establish the CAE's functional reporting relationship with the board?	✓			Principal Auditor as the Head of Internal Audit; supported by the self assessment against the CIPFA Role of HIA formally presented to the Audit Committee in December 2013.
c) LGAN	Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	✓			
d) LGAN	Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?	✓			
e)	Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	✓			
f) LGAN	Define the scope of internal audit activities?	✓			

Ref	Conformance with the Standard	Y	P	N	Evidence
g) LGAN	Recognise that internal audit's remit extends to the entire control environment of the organisation?	✓			
h) LGAN	Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?	✓			Annual Internal Audit Assurance Report ~ June Audit Committee
i) LGAN	Establish the organisational independence of internal audit?	✓			
j)	Cover the arrangements for appropriate resourcing?	✓			
k)	Define the role of internal audit in any fraud-related work?	✓			Referenced in the Corporate Fraud Response Plan. (Plan to be reviewed 2014~15)
l)	Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	✓			
m)	Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	✓			If auditors are extensively consulted during system, policy or procedural development their independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and or the following financial year after their involvement.
n)	Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?	✓			
o)	Define the nature of consulting services?	✓			Recognised as part of the approved Annual Audit Plan.
p)	Recognise the mandatory nature of the PSIAS?	✓			Standards adopted Audit Committee 02.12.13 Internal Audit Charter approved Audit Committee 24.03.14
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	✓			Previous Terms of Reference for Internal Audit revised into Internal Audit Charter 2014. Will be reviewed annually in accordance with the UK PSIAS
	Does the CAE attend audit committee meetings?	✓			
	Does the CAE contribute to audit commit-	✓			In consultation with the Chief Financial Offi-

Ref	Conformance with the Standard	Y	P	N	Evidence
	tee agendas?				cer(CFO)/S151 Officer
3.2	1100 Independence and Objectivity				
	Does the CAE have direct and unrestricted access to senior management and the board?	✓			Reports through the S151 Officer, but has right of access to Chief Executive; Corporate Leadership Team, Audit Committee Chair as required.
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	✓			Internal Audit sits within the Chief Executives Unit, but reports through the CFO/S151 Officer. Has access to the Chief Executive/Audit Chair as required.
Are threats to objectivity identified and managed at the following levels:					
a)	Individual auditor?	✓			The in-house team comprise of 2.6 FTE (4 Team Members). There are no known instances where auditees/Managers have suggested that the Audit Team have not behaved objectively.
b)	Engagement?	✓			Audits are rotated on a 3 year basis.
c)	Functional?	✓			Principal Audit reports on the Audit Activity to the Audit Committee.
d)	Organisation?	✓			Reports to the Chief Financial Officer/S151 Officer in the first instance. Chief Financial Officer is a member of the Corporate Leadership Team.
1110 Organisational Independence					
	Does the CAE report to an organisational level equal or higher to the corporate management team?	✓			Reports to the Chief Financial Officer/S151 Officer in the first instance. Chief Financial Officer is a member of the Corporate Leadership Team.
LGAN	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓			Reports to the Chief Financial Officer/S151 Officer in the first instance. Chief Financial Officer is a member of the Corporate Leadership Team.
LGAN	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	✓			Reporting line is to the CFO, however, in audits where there is a conflict of interest, the Principal Auditor as {HIA (CAE)} has access to the Solicitor to the Council, and/or Chief Executive.
LGAN: Does the CAE's position in the management structure:					
a)	Reflect the influence he or she has on the control environment?	✓			
b)	Provide the CAE with sufficient status to ensure that audit plans, reports and action	✓			Via the Chief Financial Officer as S151 Officer.

Ref	Conformance with the Standard	Y	P	N	Evidence
	plans are discussed effectively with the board?				
c)	Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	✓			Principal Auditor in role Head of Internal Audit reports to the CFO/S151 Officer.
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:	✓			The Board is the Audit Committee. Annual Internal Audit Assurance Report to June Audit Committee.
The board:					
a)	approves the internal audit charter	✓			March 2014
b)	approves the risk-based audit plan	✓			March 2014
c)	approves the internal audit budget and resource plan			N/A	Budgets are approved by Council. The audit plan presented to Audit Committee does indicate the resources available for completion of the approved plan.
d)	receives communications from the CAE on the activity's performance (in relation to the plan, for example)	✓			Quarterly (30.06, 30.09, 31.12 & 31.03) Monitoring Reports are presented to the Audit Committee and include details of performance against plan.
e)	approves decisions relating to the appointment and removal of the CAE			N/A	Not applicable. Corporate procedure for all WFDC Officer appointments. The Chief Financial Officer is responsible for the appointment of the Head of Internal Audit as the CAE.
f)	seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	✓			Delegated responsibility to the S151 Officer in consultation with the Principal Auditor to review and revisit the annual internal audit plan. Changes of a significant nature are reported back to the Audit Committee.
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	✓			Chief Financial Officer has line management responsibility and undertakes 1 to 1 meetings and annual HR Development Review. Chief Financial Officer is line managed by Chief Executive and reports on Internal Audit. The Chief Executive does not directly participate, in the performance review of the CAE however, this is not considered to impact on organisational independence.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?		✓		Principal Auditor has regular meetings with the CFO and Audit Chair when feedback is sought on the internal audit activity. There is direct feedback during the regular audit

Ref	Conformance with the Standard	Y	P	N	Evidence
					committee meetings.
1111 Direct Interaction with the Board					
	Does the CAE communicate and interact directly with the board?	✓			Meets with the Chair of Audit Committee.
1120 Individual Objectivity					
	Do internal auditors have an impartial, unbiased attitude?	✓			No known instances to date have arisen which indicate anything other than an unbiased attitude.
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	✓			No known instances to date have been identified.
1130 Impairment to Independence or Objectivity					
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	✓			Senior Auditor has been seconded to work on Corporate Debt recovery. To ensure independence and objectivity, the Senior Auditor has been excluded from undertaking any audit review in respect of the Debtors (Accounts Receivable) and Debt Recovery activities.
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	✓			If auditors are extensively consulted during system, policy or procedural development their independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and or the following financial year after their involvement.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?		N/A		Not Applicable.
LGAN	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	✓			Change every 3 years or as circumstances dictate if an auditor has been extensively involved in a project or service area within the preceding 12 months.
LGAN	Have internal auditors declared interests in accordance with organisational requirements?		✓		Revised declaration of interests to be introduced from April 2014.
LGAN	Where any internal auditor has accepted any gifts, hospitality, inducements or	✓			Corporate procedure within the Employees Code of Conduct/Constitution.

Ref	Conformance with the Standard	Y	P	N	Evidence
	other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?				No Auditors have accepted any gifts, hospitality, inducements or other benefits.
LGAN	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	✓			No known instances. The Internal Audit Team are aware that instances would result in disciplinary action.
LGAN	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	✓			No known instances.
LGAN	Have internal auditors complied with the Bribery Act 2010?	✓			No known instances.
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	✓			No known instances. However, a log is maintained of consultancy and advice provided by the Internal Audit Team to avoid conflicts.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓			Proposed restructure of the Internal Audit Team from April 2014 as noted by the Audit Committee in March 2014, acknowledged arrangements for the WFDC Internal Audit Team to work collaboratively with the Worcestershire Internal Audit Shared Service. There is a formal agreement in place.
3.3	1200 Proficiency and Due Professional Care				
1210 Proficiency					
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?		✓		Member of the Association of Accounting Technicians since 2001. Affiliate Membership of the Institute of Internal Auditors ~ September 2013
	Is the CAE suitably experienced?	✓			WFDC Internal Auditor January 1990-2000. WFDC Senior Auditor 2000-2007. WFDC Principal Auditor 2007 to present. Pre 1990 Private Accountancy Practice.
LGAN	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	✓			In consultation with the Chief Financial Officer.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	✓			Both job descriptions and person specifications have recently been reviewed April 2014 as part of the restructure of the Internal Audit Team.
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	✓			All qualified members of the Association of Accounting Technicians with variable knowledge and access to external advice and resources (Cipfa TIS/Chief Audit Group). Principal Auditor ~ Affiliate Member of the IIA Senior Auditor Chartered Auditor
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	✓			As appropriate, WFDC Internal Audit has previously procured Auditor time for Computer Audits from a neighbouring local authority. . Contacts via the Midland Audit Group to exchange information and points of practice.
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	✓			Internal Audit includes fraud risks in their planning process and act as an internal control against fraud. Within audit reviews, fraud is categorised as a risk and considered throughout the audit plan and audit reviews. High level controls and fraud and corruption questionnaires are completed against all core financial systems.
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	✓			Internal Audit are aware of control requirements e.g. access rights and permissions, back up and data protection.
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	✓			Whilst the Internal Audit Team do not use a dedicated software programme, the team effectively utilise Excel and other software for analysing data e.g. filter techniques within the Agresso Financial Management System.
1220 Due Professional Care					
Do internal auditors exercise due professional care by considering the:					
a)	Extent of work needed to achieve the engagement's objectives?	✓			Audit Briefs are prepared to include detail of the scope of work planned to achieve the identified audit objective.
b)	Relative complexity, materiality or significance of matters to which assurance procedures are applied?	✓			Considered when assessing the materiality of observations detailed within the audit report.
c)	Adequacy and effectiveness of governance, risk management and control processes?	✓			Form the basis of the audit field work.
d)	Probability of significant errors, fraud, or	✓			Audit Plan and frequency of audit review is deter-

Ref	Conformance with the Standard	Y	P	N	Evidence
	non-compliance?				mined based on previous identified concerns and changes in processes.
e)	Cost of assurance in relation to potential benefits?	✓			Considered during the course of the audit review and discussed with auditees and service Manager
Do internal auditors exercise due professional care during a consulting engagement by considering the:					
a)	Needs and expectations of clients, including the nature, timing and communication of engagement results?	✓			
b)	Relative complexity and extent of work needed to achieve the engagement's objectives?	✓			
c)	Cost of the consulting engagement in relation to potential benefits?		✓		Evidence cost of advice and consultancy in-house by maintaining a log of work undertaken. Have regard to the WFDC Wyre Forest Forward Programme which requires "added value" to be considered when providing advice on a consultancy basis.
1230 Continuing Professional Development					
LGAN	Has the CAE defined the skills and competencies for each level of auditor?	✓			Included in Job Descriptions and person specifications. Reviewed April 2014 following restructure.
LGAN	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	✓			Annual HR Development Reviews.
	Do internal auditors undertake a programme of continuing professional development?	✓			Annual HR Development Reviews: Attend the annual Cipfa Audit Training Seminars; access to the CIPFA Technical Information Service.
	Do internal auditors maintain a record of their professional development and training activities?		✓		As part of the HR Development Reviews duty of care for individual Auditors
3.4	1300 Quality Assurance and Improvement Programme				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?		✓		QAIP is a new requirement under the UKPSAIS, Have previously self assessed against the Cipfa Code of Practice for Internal Audit in Local Government (Sept 2012) Self Assessment against the UK PSIAS completed in June 2014. Methodology of 5 year external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee.
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity		✓		As part of the annual assurance internal audit report and self assessment against the UK PSIAS.

Ref	Conformance with the Standard	Y	P	N	Evidence
	and identify opportunities for improvement?				As yet does not include all aspects of the QIAP.
	Does the CAE maintain the QAIP?		✓		Updated QAIP required to include methodology for external assessment.
LGAN	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	✓			Internal Audit Annual report to the June Audit Committee which considers the effectiveness (performance against standards). External Audit reviews the Internal Audit activity for the authority and report their opinion to the Audit Committee on the role and effectiveness of internal audit and the overall control environment (March 2014 Audit Committee).
1310 Requirements of the Quality Assurance and Improvement Programme					
	Does the QAIP include both internal and external assessments?		✓		Self Assessment against the UK PSIAS June 2014 Audit Committee. Methodology of 5 year external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee.
1311 Internal Assessments					
LGAN	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	✓			Audit Team 2.6 FTE (4 Team Members). Small Team, but assignments are rotated on a 3 year basis to facilitate objectivity.
Do internal assessments include ongoing monitoring of the internal audit activity, such as:					
a)	Routine quality monitoring processes?	✓			End of Audit Assessment Questionnaires.
b)	Periodic assessments for evaluating conformance with the PSIAS?		✓		3 year review against the Cipfa Code of Practice for Internal Audit in LG 2006~September 2012. Annual self assessment reviews to be taken against the UK PSIAS from June 2014.
LGAN	Does ongoing performance monitoring include comprehensive performance targets?	✓			Target of 95% achievement of Annual Audit Plan as determined by the Audit Committee.
LGAN	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	✓			Performance target of 95% determined and noted in the minutes of the Audit Committee.
LGAN	Does the CAE measure, monitor and report on progress against these targets?	✓			As part of the Quarterly Monitoring Reports and the Annual Assurance Review.
LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	✓			End of Audit Satisfaction Questionnaires to capture stakeholder feedback..
	Are the periodic self-assessments or assessments carried out by people external	✓			Self Assessment carried out by the Principal Auditor in the role of Head of Internal Audit and re-

Ref	Conformance with the Standard	Y	P	N	Evidence
	to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices? Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.				viewed by the Chief Financial Officer/S151 Officer and the Corporate Management Team.
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	✓			
1312 External Assessments					
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?			✓	An external assessment has not been undertaken. This is a new requirement (to be undertaken every 5 years). The UKPSIAS took effect from 1 st April 2013, therefore there is no requirement to have an external assessment until March 2018.
LGAN	Has the CAE considered the pros and cons for the different types of external assessment (ie 'full' or self-assessment plus 'independent validation')?			✓	Methodology of the external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee. To be completed by December 2017.
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?			✓	Methodology of the external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee. Audit Committee advised of the requirement for an external self assessment at December 2013 committee meeting.
LGAN	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?			✓	Methodology of the external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee. Audit Committee advised of the requirement for an external self assessment at December 2013 committee meeting.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?			✓	Methodology of the external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee. To be completed by December 2017.
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a)experience gained in organisations of			✓	Methodology of the external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee. To be completed by December 2017.

Ref	Conformance with the Standard	Y	P	N	Evidence
	similar size b)complexity c)sector (ie the public sector) d)industry (ie local government), and e)technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.				
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?			✓	Methodology of the external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee. To be completed by December 2017.
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.			✓	Methodology of the external assessment to be determined in consultation with the CFO/S151 Officer and Audit Committee. To be completed by December 2017.
1320 Reporting on the Quality Assurance and Improvement Programme					
	Has the CAE reported the results of the QAIP to senior management and the board?		✓		The opinion of the annual review of effectiveness of the Internal Audit Team forms part of the Internal Audit Annual Assurance Review to the June Audit Committee. This periodic review reflects on the previous year's activity and acknowledges conformance with the UKPSIAS by the Internal Audit Team.
a)	the results of both external and periodic internal assessment must be communicated upon completion		✓		Detailed compliance with the UKPSIAS and action plans where there is only partial or non compliance reported to the Audit Committee under separate cover.
b)	the results of ongoing monitoring must be communicated at least annually		✓		
c)	the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.		✓		Internal Self Assessment against the standards reported to the Audit Committee June 2014.
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?		✓		Reported under separate cover ~ June 2014 Audit Committee.
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'					
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?		✓		Fully compliant with the Cipfa Code of Practice for Internal Audit in Local Government 2006. Therefore considered compliant with the UKPSIAS 2013 under self assessment.

Ref	Conformance with the Standard	Y	P	N	Evidence
					Internal Self Assessment against the standards due to the Audit Committee June 2014. An external assessment has yet to be considered and completed as part of the QAIP.
1322 Disclosure of Non-conformance					
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?		✓		Internal Self Assessment against the standards due to the Audit Committee June 2014 detailing Action Plans for areas where only partial or non compliant.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?		✓		Acknowledge in the annual review of effectiveness and annual audit report 2014.
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	✓			The Internal Audit Team's work provides the Corporate Leadership Team with an independent and objective evaluation of the Council's activities. This is based on recommendations proposed from the audit reviews considering controls, risk and governance arrangements.
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	✓			
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	✓			
Does the internal audit activity add value to the organisation and its stakeholders by					
a)	Providing objective and relevant assurance?	✓			The annual internal audit plan is prepared with consideration of contributing to the effectiveness and efficiency of the governance, risk and internal control processes within the Council by the Internal Audit Team.
b)	Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	✓			
2010 Planning					
	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	✓			2014~15 Annual Audit Plan approved by Audit Committee, March 2014. The plan takes into account the Corporate Risk Register and Corporate Priorities under the Wyre Forest Forward Programme and scheduled interventions for 2014~15. Further work required to improve the annual risk

Ref	Conformance with the Standard	Y	P	N	Evidence
					based planning to assurance mapping.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	✓			Plan comprises of annual assurance reviews of the core financial systems, supported by cyclical reviews for other services on a 3yr rolling basis; allocated time to consultancy & advice; computer and contract system reviews.
	Does the risk-based plan take into account the organisation's assurance framework?	✓			The corporate assurance framework is considered when preparing the annual audit plan.
Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:					
a)	How the internal audit service will be delivered?	✓			Under the Wyre Forest Forward Programme, the Internal Audit service contributes to the identified corporate priorities as enablers to "Delivery together with less".
b)	How the internal audit service will be developed in accordance with the internal audit charter?	✓			
c)	How the internal audit service links to organisational objectives and priorities?	✓			
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	✓			2014~15 annual audit plan acknowledges internal changes in respect of personnel along with national concerns of Business Rates and Local Council Tax Discount Scheme.
	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	✓			Consider the authority to be risk aware, with a strategic risk register regularly reviewed by the Corporate Leadership Team and the Audit Committee.
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	✓			Considered the Corporate Risk Register, and changes arising from the Wyre Forest Forward Programme as a result of the Systems Thinking scheduled interventions for "smarter ways of working".
Does the risk-based plan set out the:					
a)	Audit work to be carried out?	✓			Audit Plan details the nature of the audit work to be undertaken, with overviews for those service areas subject to a detailed system review.
b)	Respective priorities of those pieces of audit work?	✓			Internal Audit Risk Assessments rate the audits to be completed; determined by annual core financial system reviews or 3yr cyclical reviews.
c)	Estimated resources needed for the work?	✓			Number of days allocated against each review.
LGAN	Does the risk-based plan differentiate between audit and other types of work?	✓			The plan differentiates between, System, Computer, Contract reviews; Consultancy & Advice; Irregularities.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	✓			Delegated responsibility to S151 Officer in consultation with the Principal Auditor to amend the annual plan as appropriate to accommodate service needs.
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	✓			Delegated responsibility to S151 Officer in consultation with the Principal Auditor to amend the annual plan as appropriate to accommodate service needs.
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	✓			Each audit is risk assessed at completion of review for changes to be documented. Standard methodology as identified in the audit plan/audit manual.
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	✓			This review is undertaken annually prior to the preparation of the annual audit plan, taking into account the previous years audit review.
In developing the risk-based plan, has the CAE also considered the following:					
a)	Any declarations of interest (for the avoidance for conflicts of interest)?	✓			Corporate declarations required under the Employee Code of Conduct, however, consideration to be given to introducing annual declarations from 2014. There are currently no known conflicts.
b)	The requirement to use specialists, eg IT or contract and procurement auditors?	✓			Developing skills base of Senior Auditor to undertake ICT reviews. Developing skills base of Auditor to undertake contract/procurement reviews.
c)	Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?	✓			Available audit days for contingency assignments are built into the audit plan.
d)	The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	✓			Time for Audit Management is identified within the Audit Plan when calculating available chargeable audit days.
	Is the input of senior management and the board considered in the risk assessment process?	✓			Evidenced in the Annual Audit Plan reviewed by the Corporate Leadership Team and approved by the Audit Committee.
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	✓			End of Audit Satisfaction Questionnaires. Overall Corporate Leadership Team opinion, sought by the S151 Officer/CFO.
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks,	✓			Allocated days included in the approved Annual Audit Plan. Ad-hoc advice is given as routine. Consultancy services are undertaken as re-

Ref	Conformance with the Standard	Y	P	N	Evidence
	to add value and to improve the organisation's operations before accepting them?				requested.
	Are consulting engagements that have been accepted included in the risk-based plan?		✓		The Audit Plan reflects all planned work including internal requests. For External i.e. WIASS, this is resourced from the reduction in Internal Audit Days following April 2014 restructure at a cost to the shared service, thus generating income for WFDC as a contribution to fixed costs.
2020 Communication and Approval					
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	✓			Corporate Leadership Team considered the 2014~15 Annual Audit Plan for Audit Committee approval 24 th March 2014..
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	✓			Annual Audit Plan is approved by the Audit Committee in March. Significant changes during the year e.g reduction in available days resulting in a review of services areas to be audited are formally reported back to the Audit Committee.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	✓			The impact of resource limitations are reported to the Audit Committee e.g. Restructure Report to Audit Committee, April 2014.
2030 Resource Management					
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?	✓			Allocated audit days are evidenced by availability of individual members of the Audit Team, taking into account non chargeable commitments e.g. days allocated to training, holiday and sickness.
LGAN	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	✓			Consideration given at time of issue of Audit Brief to ensure timing of audit review is convenient for client. The Audit Plan does not specify by quarter when audit reviews will be undertaken.
LGAN	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	✓			Any impact due to a change in level of resourcing the approved annual audit plan will be formally reported to the Audit Committee.
2040 Policies and Procedures					
	Has the CAE developed and put into place	✓			Internal Audit Manual currently under review for

Ref	Conformance with the Standard	Y	P	N	Evidence
	policies and procedures to guide the internal audit activity?				updating to reflect the UKPSIAS. Available on shared drive accessible by all team members.
LGAN	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	✓			Internal Audit Manual currently under review for updating to reflect the UKPSIAS. Available on shared drive accessible by all team members.
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	✓			Internal Audit Manual currently under review for updating to reflect the UKPSIAS. Available on shared drive accessible by all team members.
2050 Coordination					
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?		✓		As identified in the assessment of the role of the HIA reported to the December Audit Committee, this area is to be further developed as part of an assurance mapping exercise, to identify available external sources of assurance on which reliance can be placed.
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?		✓		Developing and progressing when considering and preparing Internal Audit Annual Plans.
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	✓			External Auditors Grant Thornton. Redditch BC for the annual review of the payroll function in accordance with the collaboration agreement in place since April 2011.
LGAN	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	✓			External and Internal Audit Plans presented to March 2014 Audit Committee.
2060 Reporting to Senior Management and the Board					
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	✓			Quarterly (30.06, 30.09, 31.12 & 31.03) Monitoring Reports to the Corporate Leadership Team and the Audit Committee.
	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	✓			Internal Audit Reports where there is an audit opinion of SOME, LIMITED or UNSOUND details are included within the Quarterly Monitoring Reports to the Corporate Leadership Team and the Audit Committee. The Annual Assurance Report will include references to any issues arising from the Annual Governance Statement.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	✓			Managers receive reports relevant to their service area upon completion of the audit review. Quarterly Monitoring reports are reviewed by the Corporate Leadership Team and reported to the Audit Committee in accordance with the committee cycle formally agreed by Council in accordance with the constitution.
2070 External Service Provider and Organisational Responsibility for Internal Auditing					
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?		N/A		Not Applicable
4.2	2100 Nature of Work				
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	✓			
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	✓			
2110 Governance					
Does the internal audit activity:					
a)	Promote appropriate ethics and values within the organisation?	✓			Internal Audit contributes through advising on corporate policies.
b)	Ensure effective organisational performance management and accountability?	✓			Internal Audit contributes through advising on corporate policies.
c)	Communicate risk and control information to appropriate areas of the organisation?	✓			Internal Audit contribute through formal audit reports
d)	Coordinate the activities of and communicate information among the board, external and internal auditors and management?	✓			
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?	✓			Governance is considered as part of each system review as well as allocated specific days in the annual audit plan for a stand alone review.
Has the internal audit activity evaluated the:					

Ref	Conformance with the Standard	Y	P	N	Evidence
a)	design		✓		Will be covered within various audits, but not identified as a specific stand alone audit for 2014~15.
b)	implementation, and		✓		
c)	effectiveness of the organisation's ethics -related objectives, programmes and activities?		✓		
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	✓			Days are allocated within the Internal Audit Plan to cover ICT reviews incorporating IT governance and the ICT Strategy.
LGAN	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?		✓		Assessed for ICT reviews as included within the Annual Plan. Will be considered when looking at the organisations ethics as a stand alone audit review.
2120 Risk Management					
Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:					
a)	Organisational objectives support and align with the organisation's mission?		✓		The Chief Financial Officer is responsible for Risk Management. However, the risk based approach to audit reviews, provides some assurance that operational risks are managed effectively.
b)	Significant risks are identified and assessed?	✓			Significant risks are incorporated into the Strategic Risk Register. These provide the overarching risk considered as part of the annual audit plan. Risk Management is defined as a specific audit review within the Annual Audit Plan.
c)	Appropriate risk responses are selected that align risks with the organisation's risk appetite?	✓			The authority is risk aware as defined by the Corporate Risk Register. The Corporate Risk Register is regularly reviewed by the Corporate Leadership Team and the Audit Committee.
d)	Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?	✓			
Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:					
a)	Achievement of the organisation's strategic objectives?	✓			Council Priorities under the Wyre Forest Forward Programme and the Corporate Risk Register are considered in preparing the Audit Plan and taken into account within specific audit assignments.
b)	Reliability and integrity of financial and	✓			Audited where they form part of the Audit Brief.

Ref	Conformance with the Standard	Y	P	N	Evidence
	operational information?				
c)	Effectiveness and efficiency of operations and programmes?	✓			Taken into account as part of the audit assignment.
d)	Safeguarding of assets?	✓			Evaluated where it forms part of the audit assignment.
e)	Compliance with laws, regulations, policies, procedures and contracts?	✓			ICT Security Group attended by Senior Auditor
	Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	✓			Corporate Fraud Response Plan. Anti Fraud Corruption Policy and a Strategy for Dealing with Theft, Fraud & Corruption. These are currently under review and will be formally reported to the Audit Committee in due course to advise of updates and changes. Separate Policy on Fraud for Benefits, and a separate Strategy for Dealing with Theft, Fraud & Corruption for Benefits (last reviewed in 2011).
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	✓			Within the individual audit reviews, fraud is a categorised as a risk and considered through out the audit plan and audit reviews. To support the core financial systems the high level controls are reviewed and fraud and corruption questionnaires completed, with any material findings brought through to the internal audit report taken forward to Management
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	✓			
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?	✓			Auditors are not directly responsible for any activity outside of the Audit Plan.
2130 Control					
Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:					
a)	Achievement of the organisation's strategic objectives?	✓			Identified within the audit plan to form the overarching approach to the audit.
b)	Reliability and integrity of financial and operational information?	✓			Audited where they form part of the Audit Brief.
c)	Effectiveness and efficiency of operations and programmes?	✓			Taken into account as part of the audit assignment.

Ref	Conformance with the Standard	Y	P	N	Evidence
d)	Safeguarding of assets?	✓			Evaluated where it forms part of the audit assignment.
e)	Compliance with laws, regulations, policies, procedures and contracts?	✓			Taken into account as part of the audit assignment.
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	✓			Knowledge of the service area under review and additional knowledge gained during the audit are taken into account when evaluating controls.
4.3	2200 Engagement Planning				
	Do internal auditors develop and document a plan for each engagement?	✓			Audit Briefs are prepared for audits and outline the scope of the audit.
Does the engagement plan include the engagement's:					
a)	Objectives?	✓			Audit Brief prepared and agreed with the Service Manager and/or Corporate Leadership Team to include scope, objectives, time and resource allocation.
b)	Scope?	✓			
c)	Timing?	✓			
d)	Resource allocations?	✓			
Do internal auditors consider the following in planning an engagement, and is this documented:					
a)	The objectives of the activity being reviewed?	✓			Considered in planning the audit.
b)	The means by which the activity controls its performance?	✓			Considered in planning the audit.
c)	The significant risks to the activity being audited?	✓			Identified from previous reviews; utilising the Cipfa Control Matrices and Risk Identifiers for Local Government.
d)	The activity's resources?	✓			Considered in preparing the Annual Audit Plan
e)	The activity's operations?	✓			Considered in preparing the Annual Audit Plan
f)	The means by which the potential impact of risk is kept to an acceptable level?	✓			Managed by the operational strategic risks linked to the Corporate Risk Register.
g)	The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?	✓			When preparing the Annual Audit Plan, assessments are reviewed along with the Corporate Risks.
h)	The opportunities for making significant improvements to the activity's governance, risk management and control processes?	✓			Considered in preparing the Annual Audit Plan.

Ref	Conformance with the Standard	Y	P	N	Evidence
Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:					
a)	Objectives?	✓			February 2014, WFDC Internal Audit Team entered into a collaborative arrangement, for WFDC Internal Audit Team to provide resource to the Worcestershire Internal Audit Shared Service as hosted by Worcester City Council.
b)	Scope?	✓			
c)	The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	✓			
For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:					
a)	Objectives?	✓			Days are provided for Advice & Consultancy within the approved Annual Audit Plan. Advice is often ad-hoc at the request of Managers.
b)	Scope?	✓			
c)	The respective responsibilities of the internal auditors and the client and other client expectations?	✓			Auditors are available to cover any advice and consultancy sort by Managers, Colleagues and Members. Advice/Consultancy given is documented and reported to Audit Committee as part of the Quarterly Monitoring Reports.
	For significant consulting engagements, has this understanding been documented?	✓			Consultancy on a project base will be defined and is evidenced within detailed logs maintained on the shared audit I drive. Details reported to the Audit Committee.
2210 Engagement Objectives					
	Have objectives been agreed for each engagement?	✓			Overview of Audit detailed in the Approved Annual Internal Audit Plan as approved by Audit Committee. Additional detail included within the Audit Brief at the commencement of the Audit Review.
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	✓			All audit areas within the Audit Plan are risk assessed.
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	✓			Internal Audit Risk Assessments are revisited at the close of each audit.
Have internal auditors considered the probability of the following, when developing the engagement objectives:					
a)	Significant errors?	✓			Taken into account when preparing the audit brief, based on the internal audit risk assessment of the service area and the outcome of the previous review.
b)	Fraud?	✓			
c)	Non-compliance?	✓			

Ref	Conformance with the Standard	Y	P	N	Evidence
d)	Any other risks?	✓			Significant changes to the system/personnel will have been documented as part of the Annual Audit Plan preparation.
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	✓			The audit field work will include documenting procedures/processes in place and evaluating by walk through and detailed compliance testing to establish adequacy and effectiveness of the controls in place to mitigate risks identified.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	✓			
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	✓			
LGAN	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?		✓		Value For Money is not specified, but is deemed to be taken into account when undertaking audit reviews with consideration for current constraints on budgets without compromising internal control.
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	✓			Taken into account for any audit review/assignment.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	✓			Appropriate objectives are determined dependent on the request of audit consultancy required.
2220 Engagement Scope					
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	✓			Identified at the preparation of the Annual Audit Plan and detailed on the audit brief.
Does the engagement scope include consideration of the following relevant areas of the organisation:					
a)	Systems?	✓			Determined as appropriate
b)	Records?	✓			
c)	Personnel?	✓			
d)	Premises?	✓			
Does the engagement scope include consideration of the following relevant areas under the control of out-					

Ref	Conformance with the Standard	Y	P	N	Evidence
side parties, where appropriate:					
a)	Systems?	✓			Determined as appropriate
b)	Records?	✓			
c)	Personnel?	✓			
d)	Premises?	✓			
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?		✓		Advice & consultancy are provided as part of the approved audit plan. Where matters arise from an on-going review, advice provided by the Auditor undertaking the review is recorded within the log maintained by Internal Audit as evidence of completed work. Details are included within the quarterly monitoring report. A detailed procedure note to be included within the revised Internal Audit Manual.
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?	✓			Auditors will evidence advice/consultancy provided. Procedure to be included within the revised Internal Audit Manual.
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	✓			Would be evidenced in the log maintained by Internal Audit of actions agreed and taken by Managers requesting the Advice/Consultancy. Procedure to be included within the revised Internal Audit Manual.
	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	✓			Would be discussed with the Principal Auditor and evidenced in the log maintained by Internal Audit. Procedure to be included within the revised Internal Audit Manual.
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	✓			Included within the audit review final report if appropriate, or evidenced more formally by a briefing paper or Action Plan for Manager. Informally, by confirmation email.
	During consulting engagements, were internal auditors alert to any significant control issues?	✓			It is expected, that Auditors should always be alert to control issues.
2230 Engagement Resource Allocation					
Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on:					

Ref	Conformance with the Standard	Y	P	N	Evidence
a)	The nature and complexity of each individual engagement?	✓			Days allocated within the Annual Audit Plan. Progress on the audit is monitored actual against planned by the Principal Auditor.
b)	Any time constraints?	✓			
c)	The resources available?	✓			
2240 Engagement Work Programme					
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	✓			Utilise the Cipfa Control Matrices and Risk Identifiers for Local Government Services.
Do the engagement work programmes include the following procedures for:					
a)	Identifying information?	✓			Detailed within the audit briefs.
b)	Analysing information?	✓			
c)	Evaluating information?	✓			
d)	Documenting information?	✓			
	Were work programmes approved prior to implementation for each engagement?	✓			Audit Briefs are prepared by the Principal Auditor for approval by the Service Manager.
	Were any adjustments required to work programmes approved promptly?	✓			Any changes to an audit brief are discussed with the Service Manager.
4.4	2300 Performing the Engagement				
Have internal auditors carried out the following in order to achieve each engagement's objectives:					
a)	Identify sufficient information?	✓			For each assignment, the Auditor will identify, analyse and evaluate the data arising from the field work to ensure that working papers support conclusions drawn for the audit assurance opinion.
b)	Analyse sufficient information?	✓			
c)	Evaluate sufficient information?	✓			
d)	Document sufficient information?	✓			
2310 Identifying Information					
Have internal auditors identified the following in order to achieve each engagement's objectives:					
a)	Sufficient information?	✓			Evidence is collated and documented within working papers.
b)	Reliable information?	✓			
c)	Relevant information?	✓			
d)	Useful information?	✓			
2320 Analysis and Evaluation					

Ref	Conformance with the Standard	Y	P	N	Evidence
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	✓			This is evidenced within the working papers, with evidence provided to support recommendations arising from observations during the field work.
LGAN: Have internal auditors remained alert to the possibility of the following:					
a)	intentional wrongdoing	✓			Matters arising will be documented within the audit working papers/file.
b)	errors and omissions	✓			
c)	poor value for money	✓			
d)	failure to comply with management policy, and	✓			
e)	conflicts of interest	✓			
	when performing their individual audits, and has this been documented?	✓			Expected to be documented as a control risk and taken forward into the final report.
2330 Documenting Information					
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	✓			Evidence gathered during an audit assignment is saved electronically (includes audit working papers as well as scanned documentation) or cross referenced to records held within departmental systems Agreed Standard Format agreed within the Audit Team. Procedure note to be included within the revised Internal Audit Manual.
LGAN	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	✓			
	Does the CAE control access to engagement records?	✓			Audit Team access audit files on a shared I drive accessible only to Internal Audit. Manual documents/files are held in locked cupboards to which only Internal Audit have access.
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	✓			Open Reports in the public domain following formal Audit Committee. Standard practice to share all reports with the External Auditors.
	Has the CAE developed and implemented retention requirements for all types of engagement records?	✓			Corporate EDRMS/National Archives standard. Record Management arrangements to be documented in the Internal Audit Manual.
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	✓			Corporate EDRMS/National Archives standard. Record Management arrangements to be documented in the Internal Audit Manual.

Ref	Conformance with the Standard	Y	P	N	Evidence
2340 Engagement Supervision					
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	✓			Audit Monitoring Schedule maintained. Time allocated by Auditors and reviewed in line with audit plan by Principal Auditor.
	Is appropriate evidence of supervision documented and retained for each engagement?	✓			Peer review sheets completed, actioned by Auditor and signed off by Principal Auditor. Procedure to be documented in Internal Audit Manual.
4.5	2400 Communicating Results				
	Do internal auditors communicate the results of engagements?	✓			Normal practice for Auditors to complete an Exit Meeting.
2410 Criteria for Communicating					
Do the communications of engagement results include the following:					
a)	The engagement's objectives?	✓			Draft and Final Reports in a standard format
b)	The scope of the engagement?	✓			Draft and Final Reports in a standard format
c)	Applicable conclusions?	✓			Draft and Final Reports in a standard format
d)	Recommendations and action plans, if appropriate?	✓			Draft, Final Reports and 3 month follow up reviews.
LGAN	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	✓			Action plans issued throughout audit reviews, with Exit Meetings held at close of audit prior to formal issue of draft and final reports.
LGAN	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	✓			Three levels of recommendation as detailed in Internal Audit Charter.
LGAN	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	✓			Responsible Managers and Dates for Implementation/Action are detailed in the audit reports along with any management comments.
LGAN	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	✓			All comments are included within the report. Recommendations not actioned are followed up by the Auditor and implementation (or not) is reported to the Audit Committee.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	✓			All relevant observations from an audit review are included within the report to provide an objective opinion, even if they are evidenced for information only.
LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	✓			Assurance opinions are included in all audit reports and follow through to the annual audit assurance report as evidence of the effectiveness of internal audit, and the internal control environment.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	✓			All Management comments are included within the formal reports for continuity and in support of the internal audit assurance opinion.
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	✓			Audit Assurance opinion is based on the classification of recommendations arising from the audit review. Reporting and Monitoring methodology detailed in Internal Audit Charter.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	✓			Although report on an exception basis, actions taken during the audit review are acknowledged within the formal report.
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?		✓		Open reports are in the public domain following Audit Committee. Consider including a formal disclosure to be included on reports issued from June 2014.
LGAN	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?	✓			Do provide assurance to Redditch BC for processing of the WFDC payroll by the Redditch BC Payroll Team under the collaborative agreement from April 2011.

2420 Quality of Communications

Are communications:

a)	Accurate?	✓			The peer review process will ensure the quality of the internal audit reports. All reports are formally issued by the Principal Auditor with a view for Audit Committee approval.
b)	Objective?	✓			
c)	Clear?	✓			
d)	Concise?	✓			
e)	Constructive?	✓			

Ref	Conformance with the Standard	Y	P	N	Evidence
f)	Complete?	✓			
g)	Timely?		✓		Could be an issue on occasion, owing to availability of auditors for peer review, and Principal Auditor to formally sign off on issuing the draft/final reports. However, the detail of the audit will have been discussed by the Auditor prior to review and sign off, thus ensuring a “no surprises” report to the Service Manager.
2421 Errors and Omissions					
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	✓			Should this be an issue, in accordance with best practice, any errors would be reported to the relevant service Manager/auditees.
2430 Use of ‘Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing’					
	Do internal auditors report that engagements are ‘conducted in conformance with the PSIAS’ only if the results of the QAIP support such a statement?		N/A		Internal Audit Reports do not specifically state that they have been conducted in accordance with the standards. The Quarterly Monitoring Reports do advise that the WFDC Internal Audit Team work to the UKPSIAS in the same way as previously to the Cipfa Code of Practice for Internal Audit in Local Government 2006.
2431 Engagement Disclosure of Nonconformance					
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:					
a)	The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?		N/A		External Assessment has yet to be undertaken as this is a new requirement of the UKPSIAS which took effect on 1 st April 2013; as such there is not requirement to have completed an external assessment until March 2018.
b)	The reason(s) for non-conformance?				
c)	The impact of non-conformance on the engagement and the engagement results?				
2440 Disseminating Results					
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	✓			Will be documented in the Internal Audit Manual for reference.
	Has the CAE communicated engagement results to all appropriate parties?	✓			Audit reports issued to the appropriate member of the Corporate Leadership Team and Service Manager.

Ref	Conformance with the Standard	Y	P	N	Evidence
Before releasing engagement results to parties outside the organisation, did the CAE:					
a)	Assess the potential risk to the organisation?	✓			WFDC Internal Audit under the collaborative agreement with Redditch BC to provide a payroll service, audit the service provided, and provide an annual assurance statement to the S151 Officer of Redditch BC, signed by the WFDC Chief Financial Officer. Under the collaborative agreement, this is shared with the Financial Services Manager and Payroll Manager at Redditch BC.
b)	Consult with senior management and/or legal counsel as appropriate?	✓			
c)	Control dissemination by restricting the use of the results?	✓			
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	✓			
2450 Overall Opinion					
	Has the CAE delivered an annual internal audit opinion?	✓			As part of the Annual Assurance Report June Audit Committee
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	✓			As part of the Annual Assurance Report June Audit Committee.
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	✓			Incorporates the opinion of the S151 Officer and can be challenged by the Corporate Leadership Team.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	✓			As part of the Annual Assurance Report June Audit Committee.
Does the communication identify the following:					
a)	The scope of the opinion, including the time period to which the opinion relates?	✓			As part of the Annual Assurance Report June Audit Committee
b)	Any scope limitations?	✓			As part of the Annual Assurance Report June Audit Committee.
c)	The consideration of all related projects including the reliance on other assurance providers?		✓		Will be developed with assurance mapping for the internal audit plan.
d)	The risk or control framework or other criteria used as a basis for the overall opinion?	✓			As part of the Annual Assurance Report June Audit Committee.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?		N/A		Not Applicable to Date.
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	✓			As part of the Annual Assurance Report June Audit Committee.
Does the annual report incorporate the following:					
a)	The annual internal audit opinion?	✓			As part of the Annual Assurance Report June Audit Committee.
b)	A summary of the work that supports the opinion?	✓			As part of the Annual Assurance Report June Audit Committee.
c)	A disclosure of any qualifications to the opinion?	✓			As part of the Annual Assurance Report June Audit Committee.
d)	The reasons for any qualifications to the opinion?	✓			As part of the Annual Assurance Report June Audit Committee.
e)	A disclosure of any impairments or restriction in scope?	✓			As part of the Annual Assurance Report June Audit Committee.
f)	A comparison or work actually carried out with the work planned?	✓			As part of the Annual Assurance Report June Audit Committee.
g)	A statement on conformance with the PSIAS?		✓		WFDC Internal Audit Team have previously complied with the Cipfa Code of Practice for Internal Audit in Local Government 2006 and this has been referred to in support of the effectiveness of Internal Audit within the Council. Areas for improvement following the initial assessment will be included in an improvement programme and future reports will reflect this as compliance with the UK PSIAS becomes embedded. Will be included in the 2014/15 Annual Assurance Report.
h)	The results of the QAIP?		✓		
i)	Progress against any improvement plans resulting from the QAIP?		✓		
j)	A summary of the performance of the internal audit activity against its performance measures and targets?	✓			As part of the Annual Assurance Report June Audit Committee.
k)	Any other issues that the CAE judges is relevant to the preparation of the governance statement?	✓			In consultation with the Chief Financial Officer/S151 Officer.
4.6	2500 Monitoring Progress				
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not	✓			Final Reports are followed up with a 3 month follow up review requesting Managers to provide an update position on the implementation of the recommendation(s).

Ref	Conformance with the Standard	Y	P	N	Evidence
	taking action?				
	Where issues have during the follow-up process, has the CAE considered revising the internal audit opinion?	✓			Usual practice is not to change the audit opinion until the following review, However where a Limited/Unsound audit opinion has been given, resulting in detailed monitoring of the implementation of audit recommendations this has promoted challenge by the Audit Committee to ensure the service has effectively actioned the audit recommendations to mitigate risk and thus raise the audit assurance opinion.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	✓			Taken into account when preparing the Annual Audit Plan with detail of individual audit assignment scope.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	✓			Presented in a statistical format to the Audit Committee as part of the Quarterly Monitoring Reports.
4.7	2600 Communicating the Acceptance of Risks				
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	✓			Will be documented in the Quarterly Monitoring Reports to the Corporate Leadership Team and the Audit Committee.
	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	✓			Recommendations not implemented are reported to the Audit Committee.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
30TH JUNE 2014**Internal Audit Annual Assurance Report 2013/14**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	S151 Officer/Chief Financial Officer
CONTACT OFFICERS:	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Internal Audit Annual Assurance Report – 2013/14

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Annual Assurance Report for 2013/14.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee is asked to APPROVE the Internal Audit Annual Assurance report for 2013/14 attached as Appendix 1.**

3. BACKGROUND

- 3.1 It is management's responsibility to develop and maintain the internal control systems, to ensure compliance with them and for ensuring that public money is safeguarded and use them in a way which provides value for money and thereby best value. An effective Internal Audit service is vital in helping management to meet these important duties, since it is an independent appraisal function for the review of the entire internal control system. It is Internal Audit's responsibility to draw any concerns about the adequacy of the system of internal controls and its audit plans to the attention of the Audit Committee.

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

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

- 3.2 The approved Internal Audit Charter requires that the Section 151 Officer in consultation with the Principal Auditor, prepare an Annual report to the Audit Committee on the Council's internal control environment. This report should:
- include an opinion on the overall adequacy and effectiveness of the Council's internal control environment
 - disclose any qualifications to that opinion, together with the reasons for the qualification
 - present a summary of the audit work undertaken to formulate the opinion
 - draw attention to any issues judged to be particularly relevant to the preparation of the statement on internal control
 - compare the work actually undertaken with the work that was planned
 - comment on compliance of the Internal Audit Team with the UK Public Sector Internal Audit Standards as adopted April 2013.
- 3.3 The opinion is a personal opinion of the Section 151 Officer on the overall adequacy and effectiveness of the Council's internal control environment and as last year, the view has been taken that there are three categories which are:

Satisfactory
Satisfactory, with reservations
Improvement required

4. KEY ISSUES

- 4.1 It is a statutory requirement that this Council has an Internal Audit service as part of its Corporate Governance framework.
- 4.2 An Annual Governance Statement is required to be published with the Council's Annual Statement of Accounts which is required to be signed by the Leader of the Council and the Chief Executive. The Internal Audit Annual Assurance report contributes to the evidence necessary in order for this statement to be prepared.
- 4.3 The Accounts and Audit (England) Regulations 2011 requires the Council to conduct a **review of the effectiveness of Internal Audit**. The Internal Audit Annual Assurance Report provides evidence in respect of this requirement.
- 4.4 Internal Audit make recommendations to management to improve the internal control environment of the system being reviewed. It is management's responsibility to develop and maintain the internal control systems and take the necessary action to implement agreed recommendations included in final internal audit reports.
- 4.5 The approved Internal Audit Charter requires that an annual report is prepared covering the items detailed in paragraph 3.2 and this is attached as Appendix 1.
- 4.6 The aim of most audit reports is to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment. The levels of assurance arising from the internal audit reviews for 2013~14 together with those of the previous year are as follows:

		KEY SYSTEMS <u>Assurance Level</u>			SUBSIDIARY SYSTEMS <u>Assurance Level</u>			
		Full	Some	Limited	Full	Some	Limited	TOTAL
2013-14	Number	10	26	0	2	0	0	38
	%	26.32	68.42	0.00	5.26	0.00	0.00	100
2012-13	Number	10	14	1	3	0	0	28
	%	35.7	50.0	3.6	10.7	0.00	0.00	100

- 4.7 The results of this table give an overall perspective only with the knowledge that some audit reviews of both key and subsidiary systems can range from a very large and complicated system to a very straightforward one. Therefore direct comparison of numbers and related percentages is not meaningful.
- 4.8 During 2013/14 Internal Audit have sought to further progress work with all service areas and to provide advice and assistance on the implementation of recommendations and action. As a result, measures have been put into place to facilitate a more timely proactive approach to improving systems and it is fair to conclude that there has been an improvement in control which has been enhanced by the introduction of Action Plans issued during the course of audit reviews. The aim of the Action Plans has been to enable Managers to react to observations with prompt remedial action which can be evidenced during the audit review and lead to an improved final audit assessment. This collaborative approach has enabled Managers to actively work with the Internal Audit Team to improve the control environment.
- 4.9 The annual report in Appendix 1 also covers a review of the effectiveness of Internal Audit required by the Accounts and Audit (England) Regulations 2011. CIPFA guidance indicates that compliance with the CIPFA Code of Practice is a useful tool for assessing the effectiveness of Internal Audit and has been recognised as best practice. The Internal Audit Team has continually demonstrated compliance with this Code as reported to the Audit Committee on a regular basis. A collaboration by CIPFA with the Chartered Institute of Internal Auditors (IIA) led to the development of the new set of Internal Audit Standards (UKPSIAS) which provide for a consistent internal audit framework for the whole of the public sector. These new standards effectively replace the CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom 2006.
- 4.10 The UK Public Sector Internal Audit Standards were formally adopted by the Audit Committee in December 2013. The new standards are intended to promote further improvement in the professionalism, quality and effectiveness of Internal Audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Management with the assurance they need. The Internal Audit Team conforms to the Standards and will use the CIPFA self assessment questionnaire to self assess the Service on an annual basis and formally report to the Audit Committee.

- 4.11 The review of Internal Audit effectiveness is not about process. The focus of the review is in respect of the delivery of the Internal Audit Service to the required standard in order to produce a reliable assurance on internal control in operation in the council's practices and procedures – in essence the need for the review is to ensure that the opinion given in Appendix 1 may be relied upon as a key source of evidence for the annual review of internal control.
- 4.12 It is the opinion of the S151 Officer, that it is **satisfactory**; this is detailed within Appendix 1.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

6. LEGAL AND POLICY IMPLICATIONS

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

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

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

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

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

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

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

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

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

7. RISK MANAGEMENT

- 7.1 It is a statutory requirement that the Council undertakes an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. Further it is a statutory requirement that the council shall at least once in each year conduct a review of the effectiveness of its internal audit.

- 7.2 The Internal Audit service is one element of the Council's assurance/internal control framework. This Key Assurance Service 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. The adoption of the UK Public Sector Internal Audit Standards ensures the Council continues to comply with best practice and mitigates risk accordingly

- 7.3 This report summarises the work undertaken by the Internal Audit Section for the 2013/14 financial year and is reviewed by the External Auditors as part of their financial audit and provide an opinion on the Internal Audit Service as a contribution to the Councils internal control environment. The annual report has been provided in accordance with the Internal Audit Section's approved Charter.
- 7.4 Corporate Risk Management forms part of the Councils processes as reported to this committee on 23rd September 2013 and 24th March 2014. This assists with the maintenance and development of the council's internal control environment.

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

9. CONCLUSIONS

- 9.1 The Annual Report - 2013/14 provides an opinion from the Section 151 Officer, on the adequacy and effectiveness of the Council's internal control environment arising from the completion of Internal Audit reviews.
- 9.2 This opinion is based on the work undertaken by the Internal Audit Section in accordance with the approved Annual Audit Plan for 2013/14. This report is presented to members in accordance with the Internal Audit Charter as approved by the Audit Committee.
- 9.3 Overall it has been concluded that the internal control environment has seen improvement during 2013/14 and remains satisfactory.
- 9.4 A review of the effectiveness of internal audit for the financial year 2013/14 has been undertaken in accordance with current guidelines.

10. CONSULTEES

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

11. BACKGROUND PAPERS

- 11.1 24th March 2014 ~ Audit Committee ~ Internal Audit Charter.
2nd December 2013 ~ Audit Committee ~ UK Public Sector Internal Audit Standards ~ April 2013.
18th March 2013 ~ Audit Committee ~ Annual Internal Audit Plan 2013/14.
12th March 2012 ~ Audit Committee ~ Strategic Audit Plan 2012/15.
Accounts and Audit (England) Regulations 2011 (SI 817).



WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL ASSURANCE REPORT – 2013/14

Internal Control Environment

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

The work of the Internal Audit Section relating to the financial year ended 31st March 2014 has been undertaken in accordance with the approved Audit plan 2013/14. The work undertaken has met the requirements of the Council’s External Auditors and by compliance with the UK Public Sector Internal Audit Standards (previously the CIPFA Code of Practice for Internal Audit in Local Government 2006).

The results of this work have been reported to the Audit Committee in quarterly reports on the 23rd September; 2nd December 2013; 24th March 2014; and 30th June 2014. These reports include a summary of the work undertaken in each quarter.

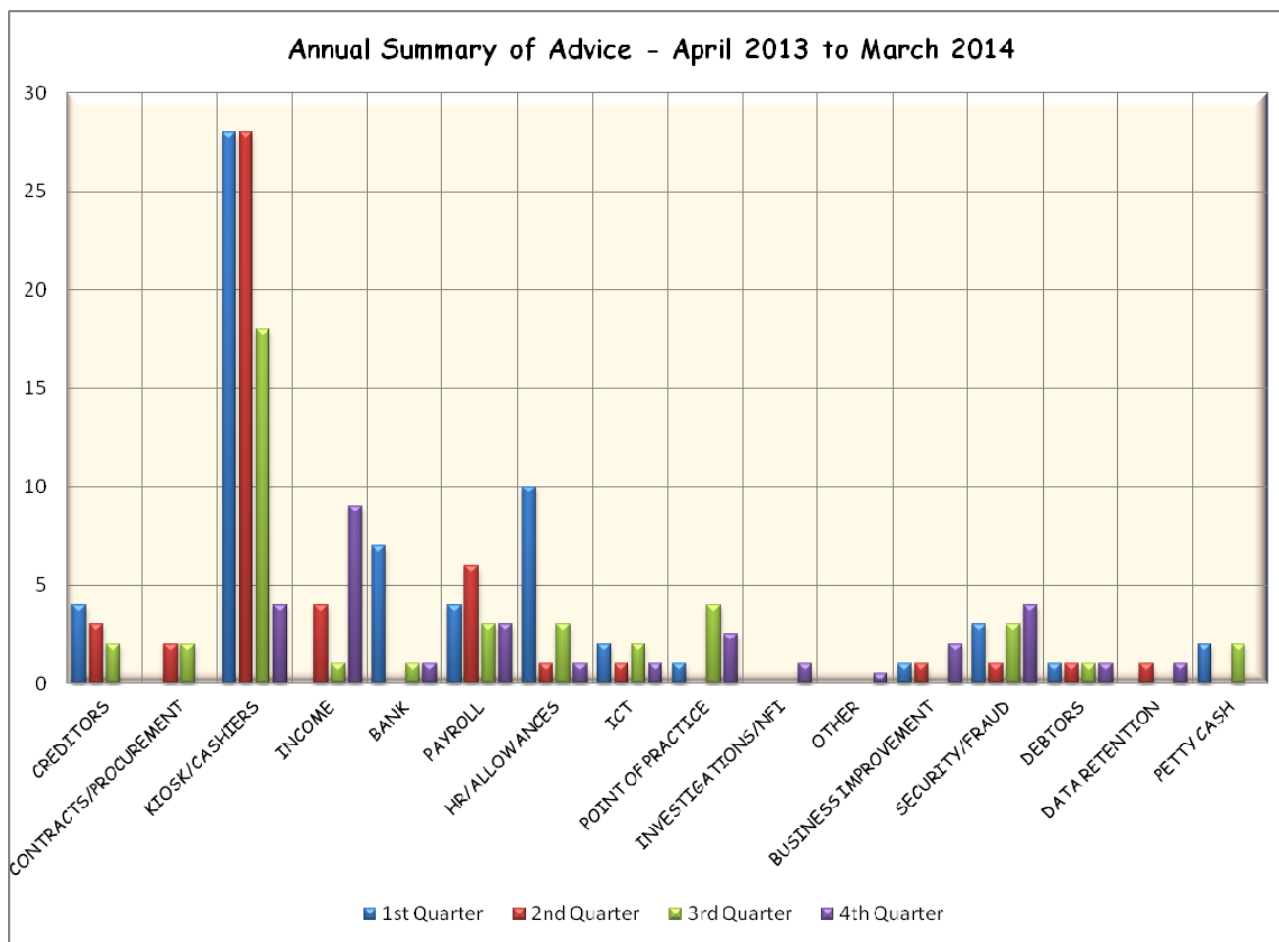
The internal control weaknesses identified from final and draft reports relating to the 2013/14 financial year have been considered in the preparation of this annual report. Where control weaknesses were identified, Management action plans are in place and are subject to ongoing review.

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

Year ended 31st March 2014

	Plan Days	Actual Days	Actual as % of Plan %
System and Probity	375	407.00	108.53%
Computer Audit	50	31.25	62.50%
Contract Audit	30	15.75	52.50%
Consultancy and Advice	50	33.25	66.50%
Irregularity	20	10.50	52.50%
Specific Service Duties	25	26.00	104.00%
SUB TOTAL	550	523.75	95.23%

Consultancy, advice and irregularity work are demand led activities, and do fluctuate each year. Utilisation of Internal Audit advice throughout the year ensures that appropriate controls are incorporated at an early stage of planning new or changing current systems and processes. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During 2013~14, the Internal Audit Team have continued to provide a consultancy and advice service to colleagues as required.



From the work undertaken by internal audit for the 2013/14 financial year overall the adequacy and effectiveness of the Council’s internal control environment is considered to be:

Satisfactory

The conclusion on each Internal Audit review is based on the observations identified together with the level of assurance given to Management and recommendations made to improve the operation of the internal controls of the system under review.

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

- The Council adopted the CIPFA/SOLACE Corporate Governance Framework in March 2008. Subsequently the implementation has been subject to reviews the latest of which was considered by the Audit Committee on 23rd September 2013 following the recognition of the Framework as “proper practices” status by the Department for Communities and Local Government. The review of the framework is further supported additional reports to the Audit Committee on 2nd December 2013 following self assessments against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and Role of the Head of Internal Audit in Public Sector Organisations (2011).

INTERNAL AUDIT ANNUAL ASSURANCE REPORT –2013/14 (CONTINUED)

Internal Control Environment (Continued)

- The findings and recommendations of the External Auditors reported to the Audit Committee on 23rd September 2013 as part of the 2012/13 financial audit, along with an independent review of the Council's arrangements for securing financial resilience moving forward.
- The key areas arising from the audit as summarised in the External Auditors Annual Audit Letter presented to the Audit Committee on 2nd December 2013. The key areas for the Council's attention included:-
 - ❖ recognition that the Council had acted on previous year recommendations,
 - ❖ concluding that the Council has appropriate arrangements for securing efficient, economy and effectiveness, in particular adequate arrangements in place for securing financial resilience with strong performance management and budgeting systems in place.

Review of the effectiveness of the system of internal audit

Work has been undertaken in accordance with the approved Internal Audit plan for 2013/14 and **95.23 %** of this plan has been completed by June 2014. Internal Audit reports have been reported to members of the Council's Corporate Leadership Team and the Audit Committee.

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

The work of the Internal Audit section is undertaken in accordance with recognised practices and standards and procedures are continually reviewed and refined in order to ensure compliance.

The External Auditors review the files and reports of the Internal Audit Team as part of their interim audit. An assessment is made by the External Auditors on internal audit's overall arrangements as a contribution to the internal control environment and governance arrangements within the Council. For 2013/14 External Audit concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that the Internal Audit work contributes to an effective internal control environment the Council.

In accordance with guidance on the requirements of the Accounts and Audit (England) Regulations 2011 on the review of the effectiveness of Internal Audit a survey of Employees as users of the Internal Audit Service has been undertaken following the completion of internal audit reviews. Overall the responses have been found to be constructive and the views will contribute to help continually improve the Internal Audit Service.

As in previous years, the survey highlighted that the Internal Audit Team is continuing to work well with their customers, being approachable and able to support employees.

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

Tracey Southall
Section 151 Officer

Cheryl Ellerton
Principal Auditor

30th May 2014

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****30TH JUNE 2014****Annual Governance Statement**

SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall, Ext 2100 tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Annual Governance Statement 2013/14

1. PURPOSE OF REPORT

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

2. RECOMMENDATION

The Audit Committee is asked to approve:

- 2.1 The Annual Governance Statement attached at Appendix 1.**

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2011 require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 The Audit Committee approved the adoption of the CIPFA/SOLACE code at the meeting on the 17 March 2008 and the subsequent annual reviews on the implementation, the latest one being 24th March 2014.
- 3.4 In relation to the 2013/14 Annual Governance Statement it is proposed to use existing processes in relation to the review of the control system, collation of information and compilation and monitoring of the Annual Governance Statement.

4. KEY ISSUES

- 4.1 In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:
- Internal Audit reports, following the annual assurance report from the S151 Officer,
 - External Audit reports;
 - Assurance Statements completed by senior staff;
 - Corporate Risk Register;
 - External Inspection findings including;
 - Other relevant information.
- 4.2 The Annual Governance Statement is presented to the Audit Committee for approval, prior to the signing by the Chief Executive and the Leader of the Council.
- 4.3 The draft Annual Governance Statement for 2013/14 is shown at Appendix 1; this document has been prepared in line with the CIPFA/SOLACE guidance.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL & POLICY IMPLICATIONS

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

7. RISK MANAGEMENT

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

8. CONCLUSION

- 8.1 The Council is required to complete an Annual Governance Statement which is required to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement.
 - Consider the robustness of the Authority's governance arrangements.
 - Monitor any actions arising from the review of arrangements.
- 8.2 The statement is submitted to the Audit Committee for approval on 30th June 2014.

9. CONSULTEES

- 9.1 Corporate Leadership Team.
- 9.2 Leader of the Council.
- 9.3 Cabinet Member for Resources.

10. BACKGROUND PAPERS

- 10.1 CIPFA Finance Advisory Network The Annual Governance Statement Meeting the requirements of the 2011 Accounts, and Audit Regulations , incorporating Accounts and Audit (Amendment) (England) Regulations 2006 Rough Guide for Practitioners with effect from 2007/8, and SI 817.
- 10.2 DCLG Circular 03/2006.
- 10.3 Delivering Good Governance in Local Government CIPFA/SOLACE.
- 10.5 UK Public Sector Internal Audit Standards April 2013.
- 10.6 Audit Committee Reports 24th March 2014.

ANNUAL GOVERNANCE STATEMENT 2013/14

Scope of Responsibility

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

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

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

The purpose of the Governance Framework

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

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

The governance framework has been in place at Wyre Forest District Council for the year ended 31st March 2014 and up to the date of approval of the statement of accounts.

The Governance Framework

This is defined as 'the systems by which local authorities direct and control their functions and relate to their communities'. The governance framework encompasses the Council's financial management arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government; the governance arrangements also conform to the requirements of the CIPFA Statement on the role of the Head of Internal Audit in public service organisations as presented to the Audit Committee at its meeting of 2nd December 2013.

The key elements of the Council's systems and processes that comprise the authority's governance arrangements are included in the Council's Constitution which is reviewed and updated throughout the year. The arrangements have been implemented to provide a robust framework to deliver good governance. The core principles of governance are:

ANNUAL GOVERNANCE STATEMENT 2013/14 (continued)

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

Delivery

The Council delivers these outcomes through:

- Annually reviewing local procedures and practices, which together create the framework for good corporate governance as described in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.
- Regularly reviewing progress against the elements of the Governance Framework
- Producing an Assurance Statement on the extent to which the local code has been adhered to and the actions required where, adherence has not been achieved.

Review of Effectiveness

Wyre Forest District Council has responsibility for regularly reviewing the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the leadership team within the authority, which has responsibility for the development and maintenance of the governance environment, the Section 151 Officer's annual report as Chief Financial Officer, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the external auditors and other review agencies and inspectorates.
- Audit Committee review of current arrangements against best practice; this has been undertaken robustly, at the December and March meetings, particularly in light of the revised management structure from August 2013, and the adoption of the UK Public Sector Internal Audit Standards 2013.

ANNUAL GOVERNANCE STATEMENT 2013/14 (continued)

Regular reviews are carried out by the Corporate Leadership Team, including during March and again in May 2014. These reviews take into account:

- the Internal Audit Annual Assurance report from the Section 151 Officer as Chief Financial Officer in consultation with the Principal Auditor for 2013/14
- comments of other review agencies, inspectorates and external bodies;
- the findings and recommendations of the External Audit's Annual Audit & Inspection Letter reported to the Audit Committee on 2nd December 2013;

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

- Head of the Paid Service (Chief Executive)
- Monitoring Officer (Solicitor to the Council)
- Section 151 Officer (Chief Financial Officer)

The constitution is under constant review, to ensure that it remains fit for purpose; a more fundamental review is planned for 2014/15 to ensure it is updated to reflect the ongoing Systems Thinking service reviews that form part of the Wyre Forest Forward Programme.

The Audit Committee is the member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters. The Audit Committee also regularly considers the recommendations from Internal Audit. Progress against the External Audit's Annual Audit & Inspection Letter as reported to the Audit Committee on 2nd December 2013 was considered at its meeting on the 24th March 2014.

The Council's Chief Financial Officer has the overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all of the Council's systems and produce reports containing recommendations for improvement wherever necessary, in line with their 3-year audit plan (2012/15). The Council's Internal Audit complies with the UK Public Sector Internal Audit Standards – April 2013 as formally adopted. The December 2013 and March 2014 Audit Committees approved the Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards in place from April 2013. A number of other reports refreshing governance review were also considered to ensure all appropriate controls and updates are in place across the Council.

External audit reports are reviewed and considered by the Audit Committee and the Council's Leadership Team. The Council's External Auditors, Grant Thornton take a proactive approach to member involvement and actively engage members at each Audit Committee with their Update Reports being of particular interest. In addition to this, the Council is also subject to formal review by other inspectorates, these reviews are considered by the Council's Cabinet.

The results of the review of the effectiveness of the governance framework by the Audit Committee have been identified, and a plan to address weaknesses and ensure continuous improvement of systems is shown below.

ANNUAL GOVERNANCE STATEMENT 2013/14 (continued)

Significant Governance Issues

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

- Progression of the Leisure Future project to ensure that the Council meets the future needs of the District and achieves the most affordable and sustainable option on the new Silverwoods site;
- Continued progression of the challenging Wyre Forest Forward programme and associated transformation projects, including robust monitoring with the opportunity to challenge as appropriate, against savings plans;
- Maintain financial resilience by securing approval of a medium term Financial Strategy with a fully balanced budget, taking into account the ongoing challenges of the impact of the 2013 Local Government Resource Review, including Business Rate Retention, Welfare Reform and further work around income generation and expenditure reductions.
- Maintaining financial resilience with reduced resources across Enabling teams, particularly in view of the “Help me Make Good Financial Decisions” Intervention work stream.
- Maintaining resilience in the governance process following the further management review planned to be implemented in Spring 2015.
- Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats.
- Continued priority to be given to the on-going recovery of the Council’s two remaining “Icelandic” investments

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

Signed

I Miller
Chief Executive

M J Hart
Leader of the Council

June 2014

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
30TH JUNE 2014**Statement of Accounts 2013/14**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall Ext. 2100 Tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 – Statement of Accounts Overview Appendix 2 – Explanation of Major Variances compared to Revised 2013/14 Budget

1. PURPOSE OF REPORT

- 1.1 To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2013/14.

2. RECOMMENDATION

The Audit Committee is asked to:-

- 2.1 **ENDORSE** the pre-audit Statement of Accounts approved by the Chief Financial Officer.
- 2.2 **AUTHORISE** the Chief Financial Officer be authorised to make minor changes to the copy of the Statement of Accounts endorsed in 2.1 above, prior to the statutory pre-audit deadline of the 30th June, should this be necessary.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2011 have been incorporated into the Council's Financial Regulations. These regulations require that the Council's Statement of Accounts be produced and approved by the Chief Financial Officer on or before 30th June, 2014. The Audit Committee are therefore requested to endorse the Statement approved by the Chief Financial Officer at this stage. A full copy of the draft Statement of Accounts will be made available on the Council's intranet for Member's perusal.
- 3.2 On 19th June, a Strong Leader Cabinet report was published setting out the provisional outturn position in relation to the Final Accounts for 2013/14. This report recommended Cabinet to note the creation of additional reserves three significant new earmarked reserves; firstly, an Asset Management/Property Reserve of £150,000 to ensure the Council can make best use of the Council's Property Portfolio as part of the Wyre Forest Forward Transformation Programme, secondly, a contingency of £250,000 to mitigate the risk of the Leisure Future Project and finally, a reserve for a contingency to cover a potential reduction in our Business Rates position.

- 3.3 The Statement is then subject to audit. The Council's external auditor; Grant Thornton has until 30th September 2014 to complete the audit, after which the Statement will be published.
- 3.4 Should it be necessary for Grant Thornton to agree technical changes with the Chief Financial Officer while the accounts are subject to audit, these will be made under delegated powers. All Members of the Council will be provided with a published copy of the Statement.
- 3.5 Members may wish to note that the Council's Accounts will be made available for public inspection as required by the Accounts and Audit (England) Regulations 2011, between 16th July 2014 and 12th August 2014. Grant Thornton will be available on the 13th August 2014, at the Accountancy Section, Wyre Forest House, if any local government elector for the area has any questions on the Accounts that they wish to raise with them. Appointments for any meetings with the Auditors must be made in advance, in writing.
- 3.6 The provisional revenue outturn position has identified savings of £241,600 (subject to audit and after the creation of the earmarked reserves for the Leisure Future Contingency, Business Rates and Asset Management/Property Reserve) compared to the Revised Budget allowing only £34,310 to be taken from General Reserves rather than the planned £275,910. Appendix 1 summarises major variations from the Revised Budget for Members' information.

4. KEY ISSUES

- 4.1 These remain challenging times for the Council as we come to grips with an environment where funds have reduced significantly following the Spending Round 2013, exacerbated by the Local Government Resource Review, including the Localism of Council Tax Benefit and Business Rates Retention Scheme. The Financial Strategy 2014/17 approved by Council in February 2014, provides a stable financial platform to move forward. For the coming year, Council approved a 1.94% increase in Council Tax and in each of the following two years the same increase has been assumed, along with a 13.41% reduction in Government Grant in 2014/15, 15.38% reduction in 2015/16 and 9.87% in 2016/17. It likely the austerity measures will continue into the future.
- 4.2 This has been the first complete year of the Business Rates Retention Scheme and a number of factors including the failures of both Sealine and Lawrence's businesses have contributed to this Council's results. We have fallen short of our Baseline target of £2.484m by £131,000. Although membership of the Worcestershire Business Rates Pool has mitigated this funding shortfall by £82,000 there was insufficient in the Risk Reserve to meet the full shortfall. We also received late notification of additional government grant (previously top-sliced to fund capitalisation distribution) of around £19,000 so the net funding shortfall taking this into account is £29,900.
- 4.3 The Council has made further welcome progress in relation to the recovery of the Icelandic investments during 2013/14. The successful sale of the Landsbanki investment in late January 2014, leaves just £985k outstanding for the remaining two investments. Further dividend payments are expected during 2014/15 and beyond.

- 4.4 In addition, the impairment position for our remaining two investments has improved generating a saving of £28k in this year's accounts.
- 4.5 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2013/14. These variances include:
- i) Pay, General Administration and Miscellaneous savings of £341k
These relate to various accounts across the whole of the Council which are then reallocated to front line services. It is clear that reductions have been made in expenditure across the Authority as spending decisions continue to be scrutinised closely.
 - ii) Benefit Payments, positive variance of £131k
The Council has been successful in the recovery of more overpayments than had been expected generating an extra £131k.
 - iii) Property-related savings- positive variance of £135k
The Council manages the building maintenance position extremely carefully and has achieved significant savings in the last year.
 - iv) Savings in relation to the Elections function of £30k
The Contingency built into the budget for by-elections and ethical investigations was not required and any future expenditure can be met from reserves.
 - v) Additional costs of an increase in the Bad Debt Provision of £140k
Due, to greater difficulty in collecting debts to the Council, the value of the bad debt provision has been increased. These charges relate largely to Housing Benefit debt.
 - vi) Additional External Interest income received of £16k, reversal of Icelandic impairment of £28k, and saving in minimum revenue provision of £40k
This additional interest on investments has resulted from slightly longer durations and robust treasury management of funds. The reversal of impairment from the Icelandic investments is due to an improvement in the predictions for final recovery. The saving in minimum revenue provision is a saving based on our approved asset life policy.
 - vii) Reduced net expenditure from Car Parking, Civil Enforcement and Street Furniture of £96k
This has been achieved by careful management of the running costs of car parking whilst income has been maintained very close to budget forecasts. The street furniture budget has also been carefully managed.
 - viii) Parks and Green Spaces and other Grounds Maintenance reduced costs of £70k.
Due in part to reduced premises and equipment repairs also a reduction in the use of external contractors.
 - ix) Additional Cemetery Income and lower repairs and maintenance totalling £24k
The extra sale of plots at the old cemetery and reduced repairs and maintenance has resulted in this saving.
 - x) Planning Fee Additional income – positive variance of £62k
This increase in income is due to the slight upturn in the local economy and the knock-on effect on the applications for building development.

- xi) Planning cost savings – positive variance of £51k
This savings relates to reduced costs of repairs and maintenance of industrial estates, and regulatory services.
- xii) Corporate Costs – Additional Costs £50k
The increased cost relates to an ear marked reserve to cover the potential for an increase in future insurance costs; it is a contingent sum
- xiii) Additional earmarked reserves new for this year of £600k
The variance analysis includes expenditure to create three significant new earmarked reserves as detailed in paragraph 4.9 below.

- 4.6 It is clear that the future financial position for the Council will continue to be challenging, in the aftermath of the Comprehensive Spending Review 2013, which resulted in further funding reductions, and follows fundamental changes to the way Central Government provides funding for local authorities. The reduced level of funding for the Council in the future is being mitigated by a raft of transformational reviews being implemented as part of the Wyre Forest Forward programme.
- 4.7 The draft position for 2013/14 demonstrates that through prudent financial management, additional resources of £600,000 were made available to fund additional earmarked reserves as set out in paragraph 4.9. For information, the net contribution to earmarked reserves for the year was £559k.
- 4.8 The transformation fund set up in 2011/12 for one-off implementation costs to support the Wyre Forest Forward programme has been extremely successful in delivering the change programme. £261k remains from this fund at the end of 2013/14, with £61k being uncommitted. This has been supplemented by an additional £200k from the 2014/15 budget to help fund the challenging savings programme moving forward
- 4.9 The Audit Committee is asked to note the creation of three significant earmarked reserves from the surplus in 2013/14. The first is £150,000 for an Asset Management/Property Reserve to ensure the Council can make best use of the Council's Property Portfolio as part of the Wyre Forest Forward Transformation Programme as this may require some spend to save investment to deliver corporate objectives . The second is £250,000 for the Leisure Future Project Contingency to help mitigate risk during the delivery phase of this highly complex initiative. The final reserve of £200,000 is in relation to the potential deterioration of future Business Rates compared to our Baseline position, this is necessary as we were below baseline this year and the Worcestershire Pool was unable to fully meet the resultant funding shortfall from the Risk Reserve.
- 4.10 It should also be noted that, the Working Balance remains at £1m to reflect the significant financial risks faced by this Council as a result of the fundamental changes to the Government Funding Regime in 2013/14, further austerity measures expected and also the impending Welfare Reform changes.

5. FINANCIAL IMPLICATIONS

- 5.1 The positive variance of £841,600 compared to the Revised Budget, reducing to £241,600, following the creation of additional significant earmarked reserves, resulting in the reduced use of General Reserves of £34,310 is welcomed. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2014 onwards. This saving represents around 1.5% of total gross revenue expenditure of £55m.
- 5.2 These remain extremely challenging times for this Council given the changed landscape of the Government's funding regime, with 2013/14 being the first full year of these changes when the forecast impact of decisions during the last budget process can be measured. The saving on outturn is welcomed and has been utilised to earmark funds to meet potential liabilities and also to increase General Balances compared to the forecast to mitigate the potential future impact of funding volatility.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 None.

7. RISK MANAGEMENT

- 7.1 The principal risk to the Council is non-achievement of the Accounts and Audit (England) Regulations 2011 deadline, in respect of production and approval of the Statement of Accounts before 30th June 2014, and qualification of the Accounts by the Council's External Auditors.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

9. CONCLUSION

- 9.1 This report details the outturn position as at 31st March 2014 and provides information on the creation of further significant earmarked reserves.

10. CONSULTEES

- 10.1 Corporate Leadership Team/Cabinet.

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit (England) Regulations 2011.
Financial Strategy 2014/17.
Strong Leader Cabinet Report June 19th 2014.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2013/14 – OVERVIEW

1. INTRODUCTION

Each year the Council has to produce a set of accounts just like any other organisation. The formal document is the Statement of Accounts (Statement) which sets out the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The full Audited Statement will be published on the Council's web-site by 30th September 2014. The purpose of this overview document is to provide a summary of key aspects of the more detailed Statement to aid understanding and assist with the scrutiny process.

2. APPROVAL PROCESS

The deadline for approval of the 2013/14 Statement of Accounts is 30th June 2014 in accordance with the Accounts and Audit Regulations.

This Council's timetable for approval is as follows:

- : Cabinet – 19th June 2014 (Major Variations only); and then
- : Chief Financial Officer approval/Audit Committee – 30th June 2014
- : Audit Committee – 29th September 2014 (audited version)

The Accounts are audited by Grant Thornton who are the Council's external auditors. Regulations require that the Statement of Accounts is published by 30th September 2014.

3. BASIS OF ACCOUNTS

The Chief Financial Officer, Tracey Southall, is responsible for the preparation of the Statement in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. This includes full compliance with the International Financial Reporting Standards (IFRS).

The Accounts present a true and fair view of the financial position of Wyre Forest District Council for the year ended 31st March 2014. Up to date and proper accounting records have been maintained in accordance with the accounting policies outlined in the detailed Statement. In addition, the Chief Executive and Leader of the Council are required to confirm the Council's Governance arrangements can be relied upon to produce an accurate Statement of Accounts; again this is contained within the Annual Governance Statement.

4. **KEY COMPONENTS**

The Council's accounts for the financial year ended 31st March 2014 mainly comprise:-

(a) **The Comprehensive Income and Expenditure Statement**

This account brings together income and expenditure relating to all of the Council's functions. It excludes Capital, accounted for separately. Many of the activity descriptions are similar to those in the budget book, but are grouped into Standard Expenditure Analysis Areas for inter-authority comparisons. Income from the Council's precept on the Collection Fund is included in this account. It represents the gains and losses that contribute to the changes in financial resources and is the accounting position rather than the bottom-line to taxpayers.

(b) **The Movement in Reserves Statement**

This account shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves.

(c) **The Collection Fund Income and Expenditure Account**

This reflects the statutory requirement to maintain a separate Collection Fund. This account records income received from the Council Tax and Business Rates. It also shows the distribution of that income to precepting authorities, such as Worcestershire County Council, The Office of the Police and Crime Commissioner for West Mercia, and The Hereford and Worcester Fire and Rescue Authority.

From 2013/14 the local government finance regime has been revised with the introduction of the Business Rates Retention Scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in their areas. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. The scheme allows the Council to retain a proportion of the total Business Rates received. The share retained by this Council is 40% with the remainder paid to Central Government (50%), Worcestershire County Council (9%) and Hereford and Worcester Fire and Rescue Authority (1%).

(d) **The Balance Sheet**

This relates to the Council's year end financial position, covering both Capital and Revenue. It shows the balances and reserves at the Council's disposal, summarised information on the fixed assets held, the current assets employed in its operations and its long term indebtedness.

(e) **The Cash Flow Statement**

This statement summarises major movements of the Council Funds over the period of the financial year.

5. FINANCE STRATEGY

The Council continues to implement the three year Finance Strategy, endeavouring to balance service priorities against resources available. The financial landscape continues to be very challenging. The action taken by Council in 2013/14, in establishing the cross-party Strategic Review Committee, enabled detailed work to be done on future options for the medium term financial strategy at a much earlier stage than usual. This was in response to the challenging Spending Round announced in June 2013. Following this accelerated budget process, the Council set a forward-looking budget for 2014/15, including a 1.94% increase in Council Tax, a revised Council Tax Discount Scheme and continued investment in the key priority of economic and regeneration initiatives, aided by membership of both the Worcestershire and Greater Birmingham and Solihull Local Enterprise Partnerships.

6. SUMMARY OF THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT AND MOVEMENT IN RESERVES STATEMENT

2012/13 Net Expenditure/ (Income) (restated) £000's	Service Area	2013/14 Net Expenditure/ (Income) £000's
1,396	Central Services to the Public	1,183
3,795	Cultural and Related Services	4,258
2,890	Environment and Regulatory Services	2,828
900	Planning Services	962
397	Highways and Transport Services	414
1,678	Housing Services	1,674
2,366	Corporate and Democratic Core	2,459
623	Non Distributed Costs	390
14,045	Net Cost of Services	14,168
464	Parish Precepts	442
(113)	Other Net Operating (Income)/Expenditure	162
(164)	Net Investment Income	(44)
(1,177)	Other Accounting Adjustments*	(2,637)
13,055	Amount to be met by Government Grant/Council Tax	12,091
	Funded by:	
(5,459)	NNDR Re-distribution/Business Rates Retention	(1,668)
(106)	Revenue Support Grant	(3,753)
(7,480)	Council Tax	(6,521)
(109)	Non-service related government grants	(114)
<u>(99)</u>	Movement in Revenue Fund Balance	<u>35</u>

* This takes into account entries required to reflect issues including depreciation, changes in market value of assets and the position of this Council's Pension assets and liabilities administered in the County Council Pension Fund

7. OVERALL BUDGET VARIATIONS

Major revenue variations between the revised budget and actual were shown in Appendix 1 to the main report to Cabinet on 19th June 2014. This demonstrated a significant saving compared to the revised budget, even after the creation of three significant earmarked reserves from the surplus in 2013/14. The first is £150,000 for an Asset Management/Property Reserve to ensure the Council can make best use of the Council's Property Portfolio. The second is £250,000 for the Leisure Future Project Contingency to help mitigate risk during the delivery phase of this highly complex initiative. The final reserve of £200,000 is in relation to the potential deterioration of future Business Rates compared to our Baseline position, this is necessary as we were below baseline this year and the Worcestershire Pool was unable to fully meet the resultant funding shortfall from the Risk Reserve.

A further analysis of actual compared to the original budget used for 2013/14 is contained in the full Statement.

8. WHAT DO WE OWN (NUMBER OF ASSETS)?

Civic & Administrative Buildings	3
Car Parks	29
Asset under Construction	1
Trading Estates & Enterprise Centres	5
Public Conveniences	13
Leisure Centres (leasehold interest in Bewdley Leisure Centre)	3
Museums	1
Farms	1
Sports, Social Clubs, Fields & Parks	24
Nature Reserves	4
Other Land & Buildings	32
Vehicles	73
Heritage Assets	Various
Play Equipment /Systems Software/Open Spaces Equipment	Various
Note: The Council also owns a number of assets below the de minimis level of £10,000 which are not shown in these figures	

9. SIMPLIFIED BALANCE SHEET

31/03/13 £000's	What the Council owns and is owed	31/03/14 £000's
53,675	What we own: Buildings, Land, Vehicles and Equipment	51,392
78	Inventories	79
8,506	Cash Invested	10,365
3,671	Money owed to the Council	4,161
(7,460)	What we owe: Money owed by the Council	(10,097)
(53,110)	Pension Fund Liability	(49,012)
5,360	Total Value of what we own	6,888
	Financing:	
	Usable Reserves	
2,139	Capital Expenditure Reserve	2,129
4,396	Earmarked Reserves	4,955
3,152	General Reserves	3,133
719	Capital Grants Unapplied	577
	Unusable Reserves	
48,155	Capital Financing Reserves	45,177
(53,110)	Pensions Reserve	(49,012)
(91)	Short-term Accumulated Absences Account	(71)
5,360	Total Reserves	6,888

10. WHAT ARE OUR RESERVES?

31/03/13 £000's	General Fund Reserves:	31/03/14 £000's
3069	At beginning of the year	3,168
99	Movement in Revenue Fund Balance	(35)
3,168	Balance at the end of the year	3,133

The Council has a duty in law to keep an appropriate (prudent) level of General Reserves. It has been our policy to keep a minimum working balance of £1m; this has been maintained at £1m at the end of 2013/14 in accordance with the February 2013 Council Decision

	Capital Expenditure Reserve and other Reserves and Capital Contributions set aside for the future:	
	The savings and money set aside for the future are :-	
2,139	Capital Expenditure Reserve	2,129
4,396	Earmarked Reserves	4,955
719	Capital Contributions Unapplied (Grants)	577
7,254	Total Capital and Revenue Reserves	7,661

11. HOW WELL HAVE WE PERFORMED?

Finances:

Borrowing Money – the Council took out a further 2 loans during 2013/14 taking the total borrowing up to £5m.

The rates are as follows:

12/13 £2m @ 0.75% for 18 months

12/13 £1m @ 2.62% for 9 years

13/14 £1m @ 1.52% for 5 years

13/14 £1m @ 0.65% for 364 days

Investing Money - average interest rate 0.59% (against a benchmark 7 day LIBID average rate of 0.43%)

Payment of what we owe:

Prompt payment – we paid 98.12% of all invoices within 30 days

Collection of what is owed to us:

Council Tax - we collected 97.11%

Business Rates – we collected 96.92%

Performance against national and local measures:

Over the last 12 months the Council has focussed greatly on developing measures as part of its Wyre Forest Forward Programme to underpin the delivery of the systems thinking methodology rather than relying on traditional Performance Indicators (PI's) or Targets. The dash-board of measures which support our purposes are “customer focussed” to ensure improvements or changes respond to the customer’s experience.

The measures will continue to evolve over time. However it is important that they are not treated like PIs or targets which often imply that once they are met then no further work is needed.

Reports are considered by Corporate Leadership Team (CLT) on a monthly basis where they monitor the leading measures whilst quarterly reports are considered by the Overview and Scrutiny Committee where measures are reported. We continue to publish our ‘Year in Pictures’ Performance Summary to ensure we effectively

communicate to the community a summary of our key service delivery performance from the previous financial year.

12. SUMMARY

This Overview gives a summary of the Statement of Accounts, which is a snapshot of this Council's finances as at 31st March 2014, showing:-

- How we raised income during the year
- How we spent money during the year
- How we performed against our budget
- How we performed in looking after the money
- How much money we have at 31st March 2014 (reserves)
- How the money is invested at 31st March 2014 (buildings, equipment and cash)

13. FINANCIAL TERMS EXPLAINED

We have tried to avoid using too many financial terms in this Overview, but here are a few of them explained for you:-

Assets: Buildings, land, vehicles and money in the bank.

Borrowing: Money we have borrowed to pay for fixed assets and are repaying over a number of years.

Capital Expenditure: Spending on new assets and the refurbishment of old ones like buildings and vehicles.

Capital Expenditure Reserve: Allocated usable capital receipts.

Capital Financing Reserve: Capital accounting reserve "backed" or balanced within balance sheet by fixed assets - not a funding resource available to spend.

Creditors: Those to whom we owe money.

Debtors: People or organisations who owe us money.

Depreciation: Some assets lose their value as they get older; this is called depreciation.

Earmarked Reserves: Savings or money set aside for the future for a specific purpose.

Fixed Assets: Things that will last more than one year.

International Financial Reporting Standards (IFRS): an international framework to ensure common approach to the production of Statement of Accounts across the world.

Inventories: Things we have bought but have not yet used.

Reserves: Savings or money set aside for the future.

Revenue Expenditure: Spending (and income) on day to day running costs, for example, employees, day to day running expenses including items like premises costs and supplies and services.

14. CHIEF FINANCIAL OFFICER'S ENDORSEMENT

The purpose of this overview is to help with the overall understanding of the Council's finances and accounts. This is an on-going process; if you have any comments in relation to how we can improve this understanding please let me know.

The most significant issue facing the Council remains its financial position. Our net revenue budget will have reduced from £16.4m in 2009/10 to £10.63m in 2016/17 based upon current plans. This represents a fall of around 35% in absolute terms, and more in real terms. The Council is continuing to protect key front-line services in 2014/15 despite significant reductions in government grant. It is streamlining services as part of the Wyre Forest Forward Programme. This includes reducing the costs of 'back office' functions. The approved budget proposals go a very considerable way towards closing the gap between what we are spending and our income. Alongside this work, the Council is overseeing its most significant capital investment programme in many years, including the new leisure centre as well as major injections of finance in its key priority of securing the economic prosperity of the district.

This was the first year of the new Business Rates Retention Scheme and of our membership of the Worcestershire Business Rates Pool, so this has been closely monitored. This Council was also the only district in Worcestershire to have introduced a scheme, whereby residents previously in receipt of full benefit had to pay at least 8.5 % of their Council Tax. It is pleasing to note collection rates have not suffered significantly as a consequence, with collection rates only slightly down compared to 2012/13 levels.

We know that Government Funding will fall further in the future, and the General Election in May 2015 means there is further uncertainty over funding. The Working Balance remains at £1m. The final account savings and resultant higher level of reserves are very welcome and will be used to mitigate the significant financial risks faced by this Council.

If you have any questions or would like further explanation of our financial position, please contact either myself, or a member of the Accountancy team.

A full copy of the Statement of Accounts will be published on the Council's website by the 30th of September 2014.

PROVISIONAL OUTTURN
MAJOR VARIATIONS BETWEEN REVISED BUDGET
AND ACTUAL NET EXPENDITURE/FUNDING FOR 2013/14

Total Revised Budget 2013/14	12,560,830
Sub Total	12,560,830
Actual Net Expenditure	12,289,330
SAVINGS COMPARED TO 2013/14 REVISED BUDGET	(271,500)
Reduction in Funding from Business Rates net of Grant Increase	29,900
OVERALL SAVING COMPARED TO REVISED BUDGET INCLUDING FUNDING	(241,600)

<u>Description of Estimated Major Variances</u>	Extra Costs/ Reduced Income £	Savings/ Additional Income £
<u>Chief Executive</u>		
1. Elections Savings		(30,000)
2. Benefits additional recovery of overpayments		(131,000)
3. Admin Building & Industrial Estates - Running Costs		(45,000)
4. Release of ear-marked reserves - Benefits and Accountancy		(20,000)
<u>Community Well Being and Environment</u>		
1. Leisure Centres - maintenance of buildings, grounds and plant replacement		(73,510)
2. Cemetery - reduced expenditure on repairs and additional income from forward sale of plots		(24,000)
3. Waste - direct transport saving		(18,000)
4. Public Conveniences savings on repairs and maintenance		(16,000)
5. Parking and Civil Enforcement - net saving		(76,000)
6. Street Furniture and equipment		(20,310)
7. Sports Pitches, grounds maintenance and equipment		(45,000)
8. Parks and Green Spaces		(25,000)
<u>Economic Prosperity and Place</u>		
1. Development Control Income		(62,230)
2. Planning Policy Release of ear marked reserve		(11,000)
3. Regulatory Services Refund Received for 2013/14 and additional income		(29,850)
4. Industrial Estates Income		(55,000)
5. Creation of ear- marked reserve for GBSLEP project contribution	45,000	
<u>Capital Account</u>		
1. Interest on investments		(16,000)
2. Minimum Revenue Provision reduction		(40,000)
3. Impairment Improvement on Icelandic Investments		(28,000)
<u>Corporate Variations</u>		
1. Pay Costs (including Agency)		(72,700)
2. Savings in Administrative Expenses across all service areas		(239,110)
3. Reserve for Business Rates	200,000	
4. Asset Management/Property Reserve	150,000	
4. Increase in Bad Debt Provision	140,000	
5. Insurance - Creation of ear-marked reserve	50,000	
6. Future Leisure Contingency	250,000	
7.		
Funding Reduction due to decreased Business Rates not covered by Pool Risk Reserve*	29,900	
8. Miscellaneous Savings		(28,790)
	864,900	(1,106,500)
REDUCED NET EXPENDITURE ON YEAR 2013/14		(241,600)

*We have fallen short of our Baseline target of £2.484m by £131,000. Although membership of the Worcestershire Business Rates Pool has mitigated this funding shortfall by £82,000 there was insufficient in the Risk Reserve to meet the full shortfall. Additional Government Grant of £19,000 was received to offset against this shortfall.