

Open

# Audit Committee

## Agenda

6pm  
Monday, 29th September 2014  
Council Chamber  
Wyre Forest House  
Finepoint Way  
Kidderminster



## Audit Committee

### Members of Committee:

**Chairman: Councillor T L Onslow**  
**Vice-Chairman: Councillor J A Hart**

**Councillor J Holden**  
**Councillor M B 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](mailto:susan.saunders@wyreforestdc.gov.uk)

Wyre Forest District Council

Audit Committee

Monday, 29th September 2014

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

<b>Agenda item</b>	<b>Subject</b>	<b>Page Number</b>
1.	<b>Apologies for Absence</b>	
2.	<b>Appointment of Substitute Members</b>  To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Solicitor to the Council, together with the name of the Councillor for whom he/she is acting.	
3.	<b>Declarations of Interests by Members</b>  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.	<b>Minutes</b>  To confirm as a correct record the Minutes of the meeting held on the 30th June 2014.	6
5.	<b>Audit Findings Report for Wyre Forest District Council – Report 2013/14 Final Account</b>  To receive a report from Grant Thornton detailing the findings of the audit of accounts for 2013/14	10
6.	<b>Statement of Accounts 2013/14</b>  To receive a report from the Chief Financial Officer on the Statement of Accounts 2013/14.	37
7.	<b>Internal Audit Monitoring Report Quarter Ending 30<sup>th</sup> June 2014</b>  To receive a report from the Section 151 Officer /Principal Auditor which informs Members of the Internal Monitoring Report for the quarter ended 30 <sup>th</sup> June 2014.	51

8.	<b>Risk Management – Corporate Risk Register</b>  To receive a report from the Chief Financial Officer which provides an update on the Corporate Risk Register.	67
9.	<b>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.</b>	
10.	<b>Exclusion of the Press and Public</b>  To consider passing the following resolution:  “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”.	

Part 2

Not open to the Press and Public

11.	<b>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.</b>	
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**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

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

**30TH JUNE 2014 (6PM)**

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**Present:**

Councillors: T L Onslow (Chairman), J A Hart (Vice-Chairman), J Holden, L Hyde, M B Kelly, J W Parish, J Phillips and C Rogers.

**Observers:**

Councillors: A R Clent, N J Desmond, P Wooldridge and M Wrench.

**AUD.1 Apologies for Absence**

There were no apologies for absence

**AUD.2 Appointment of Substitutes**

There were no appointed substitutes.

**AUD.3 Declarations of Interests by Members**

No declarations of interest were made.

**AUD.4 Minutes**

**Agreed: The minutes of the meeting held on 24<sup>th</sup> March 2014 be confirmed as a correct record of the meeting and signed by the Chairman.**

**AUD.5 Audit Update Report**

The Committee received an update report from Grant Thornton in relation to audit progress and update for 2013/14.

Members were taken through the report which included details of planned work by Grant Thornton. Members were informed that the audit of the final accounts would commence in July 2014 and would be reported back to the Audit Committee in September 2014.

In response to a question raised by a Member, it was confirmed that the Audit Commission would cease to exist in March 2015.

**Agreed: The report be noted.**

**AUD.6 External Audit Fee Letter 2014/15**

The Committee received a report from Grant Thornton in relation to the planned audit fee for 2014/15.

**Agreed: The report be noted.**

**AUD.7 Internal Audit Monitoring Report Quarter Ended 31<sup>st</sup> March 2014**

The Committee received a report from the Section 151 Officer and the Principal Auditor which informed Members of the Internal Audit Monitoring Report quarter ended 31<sup>st</sup> March 2014.

Members were taken through the report. In response to a query raised, Members were informed that the number of random sample accounts for the Housing Benefit/Council Tax Discount Local Scheme was approximately 60 per annum. The External auditors confirmed that the number of samples tested was about right for internal testing.

Members were advised that in relation to audit advice given between January to March 2014, the number of queries had dropped in the main since the kiosks had finished in February 2014. With regard to the Cash to Bank for Car Parks Display Income report, tickets could be obtained from the cash machines to evidence the income and balance the cash.

**Agreed: The Internal Audit Monitoring Report for the quarter ended 31<sup>st</sup> March 2014 as detailed in the appendix to the report of the Audit Committee be considered.**

**AUD.8 Internal Audit - Compliance With The Public Sector Internal Audit Standards 2013**

The Committee received a report from the Section 151 Officer and Principal Auditor which advised the results of the Self Assessment exercise.

The Chief Financial Officer took Members through the report and the following points were clarified:

- a. The Chief Financial Officer carried out a Personal Development Review every year with the Principal Auditor and targets were set together with agreeing any training requirements. The Principal Auditor also liaised with other local authorities audit groups and attended audit seminars.
- b. The outcomes of future reviews of those areas of partial compliance would be presented to a future meeting of the Audit Committee.
- c. The Corporate Risk Register would be on a future Audit Committee agenda. Members could then decide whether they would like to invite Senior Officers to a follow up meeting.

- d. There was now a new requirement for an external assessment to be undertaken every 5 years and this could possibly be presented to the Audit Committee in December 2017. In response to a member question, the Principal Auditor confirmed that this requirement affected all local authorities, and a proposal on action for the external assessment would be considered by a future Audit Committee.

**Agreed: The completed checklist showing Internal Audit – Compliance with the UK Public Sector Internal Audit Standards 2013, as detailed in the Appendix of the report to the Audit Committee be noted and approved.**

**AUD.9 Internal Audit Annual Assurance Report 2013/2014**

The Committee received a report from the Section 151 Officer and Principal Auditor which asked for approval of the Internal Audit Annual Assurance report.

Members asked that for future reports the percentage calculation be removed from the Assurance levels table as this did not add any meaning.

**Agreed: The Internal Audit Annual Assurance report for 2012/14 as attached at appendix 1 of the report to the Audit Committee be approved.**

**AUD.10 Annual Governance Statement**

The Committee received a report from the Chief Financial Officer which asked for approval of the Annual Governance Statement and Annual Governance Action Plan 2013/2014 for inclusion within the Statement of Accounts.

The Chief Financial Officer took Members through the report and referred them to the appendix which gave a backward and a forward look.

In response to a Member question, it was confirmed that the Icelandic investment under £1m was outstanding in total, with a final payment awaited for Heritable Bank and regular repayments continued to be received for the KSF investment.

**Agreed: The Annual Governance Statement attached at Appendix 1 of the report to the Audit Committee be approved.**

**AUD.11 Report on Final Accounts**

The Committee received a report from the Chief Financial Officer which asked the Committee to consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2013/14.

A copy of the actual pre-audit copy of the full Statement of Accounts was given to each Member of the Committee. The Chief Financial Officer took Members through the report.

It was confirmed that the Council tried to pay all of its bills within 30 days to ensure businesses were paid on time.



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

With reference to money owed to the Council in Note 17 of the Statement of Accounts, Members were advised that this did not include the Icelandic investments.

**Agreed:**

- 1. The pre-audit Statement of Accounts approved by the Chief Financial Officer be endorsed.**
- 2. The Chief Financial Officer be authorised to make minor changes to the copy of the Statement of Accounts endorsed in (1) above, prior to the statutory pre-audit deadline of the 30<sup>th</sup> June 2014, should this be necessary.**

The meeting ended at 7.04 pm.



# The Audit Findings for Wyre Forest District Council

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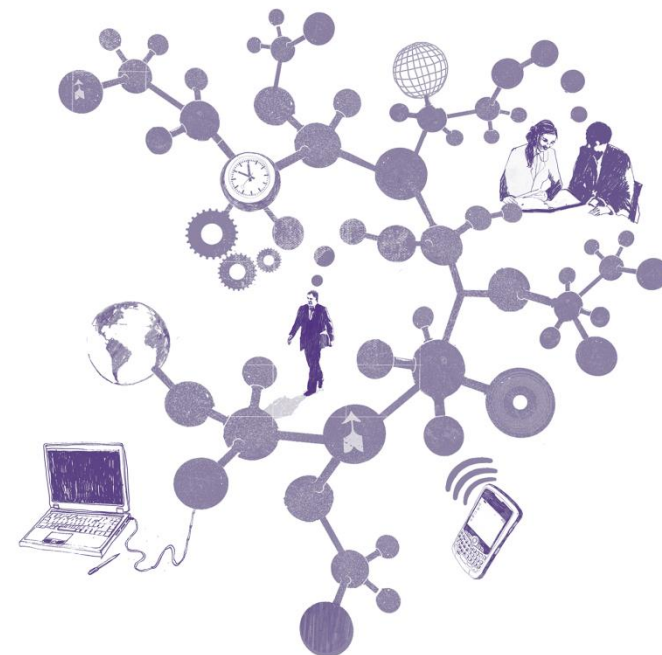
**Year ended 31 March 2014**

September 2014

**Mark Stocks**  
Director  
T 0121 232 5437  
E [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com)

**Mark Surridge**  
Senior Manager  
T 0121 232 5424  
E [mark.n.surridge@uk.gt.com](mailto:mark.n.surridge@uk.gt.com)

**Kathryn Kenderdine**  
Executive  
T 0121 232 5316  
E [kathryn.a.kenderdine@uk.gt.com](mailto:kathryn.a.kenderdine@uk.gt.com)



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5. Communication of audit matters	20

## Appendices

- A Action plan
- B Audit opinion
- C Management Representation Letter

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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.

## Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Wyre Forest District Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 24 March 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- clearance of some review points
- clearing minor queries on benefit expenditure
- third party verification of borrowing
- remaining audit completion procedures
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the draft accounts were, once again, of a good quality
- the audit did not identify any material misstatements
- finance staff responded promptly to audit queries, facilitating the prompt completion of the audit
- working papers were of a very good quality.

One audit proposed adjustment has been made that affects the Council's reported financial position. The financial statements have been adjusted to bring forward £162k of housing benefit income to the 2013/14 financial year from 2014/15.

Further details are set out in section 2 of this report.

**Value for Money (VfM) conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on VfM is set out in section 3 of this report.

**Whole of Government Accounts (WGA)**

We have completed our work on the Whole of Government Accounts and have no issues to highlight for your attention.

**Controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention. A small number of IT related control recommendations have been made, these are set out on page 14 and are included in the action plan at Appendix A.

**The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Financial Officer.

**Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2014**

## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 24 March 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 24 March 2014.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our indicative audit opinion is set out at Appendix B.



# Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• reviewed and tested the Council's revenue recognition policies</li> <li>• tested material revenue streams</li> <li>• considered whether there were any unusual significant transactions</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Our audit work identified one minor issue in relation to housing benefit debtors which has been corrected by the Council, further details are set out on page 12.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• reviewed accounting estimates, judgements and decisions made by management</li> <li>• tested journal entries</li> <li>• considered whether there were any unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>




# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.


Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	<p>Creditors understated or not recorded in the correct period</p> <p>Operating expenses understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>• tested a sample of operating expenses and creditors</li> <li>• performed cut-off testing on payments before and after year end</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<b>Employee remuneration</b>	<p>Employee remuneration expense not correct</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of the processes and key control over the transaction cycle</li> <li>• undertaken a walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>• reviewed the completeness of the reconciliations of information from the payroll system to the general ledger and financial statements,</li> <li>• reviewed the monthly trend analysis of total payroll</li> <li>• tested a sample of employee remuneration payments</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<b>Welfare expenditure</b>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>• tested a sample of payments</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risks identified for the opinion.</p> <p>A small number of errors were identified in our testing, which are not material in nature, although will result in extra testing to meet the certification requirements set out by the Audit Commission. This work will be reported to the Council in our Certification Report.</p>

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	The Council's policy on revenue recognition is included as note 1.2 to the Statement of Accounts	<ul style="list-style-type: none"> <li>The Council's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice</li> <li>Minimal judgement is involved</li> <li>Accounting policy is properly disclosed</li> </ul>	 (Green)
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	 (Green)
<b>Judgements and estimates</b>	Key estimates and judgements include: <ul style="list-style-type: none"> <li>pension fund valuations</li> <li>useful life of capital assets</li> <li>revaluations</li> <li>impairments</li> <li>Icelandic Investments</li> <li>Property, Plant and Equipment (PPE) valuations</li> </ul>	<ul style="list-style-type: none"> <li>The Council's policy is appropriate and consistent with the Local Government Code of Accounting Practice</li> <li>Key judgements, material estimates and accounting policies are properly disclosed</li> </ul>	 (Green)


**Assessment**

 (Red) Marginal accounting policy which could potentially attract attention from regulators disclosure

 (Green) Accounting policy appropriate and disclosures sufficient

 (Amber) Accounting policy appropriate but scope for improved

# Accounting policies, estimates & judgements


Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements and estimates – PPE</b></p>	<p>Page 15 of the draft accounts sets out the Council's rolling programme of asset revaluations. This ensures that all property, plant and equipment is revalued at least every five years</p>	<ul style="list-style-type: none"> <li>The Local Government Code of Practice on Local Authority Accounting requires local authorities to value all items within a class of property, plant and equipment simultaneously. A rolling basis of revaluation is only permitted when:                             <ul style="list-style-type: none"> <li>the revaluation of the class of assets is completed within a 'short period'</li> <li>the revaluations are kept up to date</li> </ul> </li> <li>We would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year</li> <li>The Code also requires local authorities disclose the classes of assets revalued in a note to the financial statements. In 2013/14, the Council revalued all investment properties and therefore has met the disclosure requirements of the Code</li> <li>The Council has also assured itself that the carrying value of assets in the balance sheet reflects current valuations at 31/3/2014 by undertaking a desktop review of all assets that had not been revalued in 2013/14. We have reviewed the Council's approach and are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014. We estimate that this could result in an understatement of assets of approximately £0.5m.</li> <li>For 2014/15 and beyond the Council will need to consider how its rolling programme of revaluations will be applied and disclosed in the financial statements.</li> </ul>	<p style="text-align: center;">                       (Green)                 </p>

**Assessment**

- (Red) Marginal accounting policy which could potentially attract attention from regulators
- (Green) Accounting policy appropriate and disclosures sufficient

- (Amber) Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements

Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements and estimates - provisions</b></p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• pension fund valuations</li> <li>• useful life of capital assets</li> <li>• revaluations</li> <li>• impairments</li> <li>• Property, Plant and Equipment (PPE) valuations</li> </ul>	<ul style="list-style-type: none"> <li>• Under the new arrangements for business rates retention, the Council now bears the risk and reward of movements in business rates. For accounting purposes, the Council has set aside a provision of £490k for business rate appeals . We have reviewed the Council's approach in calculating this provision and make the following observations:                             <ul style="list-style-type: none"> <li>- the Council's calculation for this provision is based on a number of assumptions, including information from the Valuation Office. The key assumptions are: the likelihood of a successful appeal and the potential reduction in rates</li> <li>- these assumptions are, in the Council's view, the best estimate on the potential outcome of appeals. A small movement in the percentages used to calculate the estimate can have a large effect on the provision. The Council has also, at note 4 of the accounting policies, the extent of estimation uncertainty in this provision, where a 1% increase would affect the Worcestershire Pool by £306k</li> <li>- the Council's provision of £490k is based on appeals that it is currently aware of. It does not take into account future appeals and it is the Council's view that it is unable to reliably estimate the impact that future appeals may have on the Council</li> <li>- we have requested the Council provides additional narrative in the accounts in the form of a contingent liability to explain that the Council is not able to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts. This additional disclosure is described as a contingent liability in the Council's revised financial statements</li> </ul> </li> </ul>	<p style="text-align: center;">                       (Green)                 </p>

**Assessment**

- (Red) Marginal accounting policy which could potentially attract attention from regulators
- (Green) Accounting policy appropriate and disclosures sufficient

- (Amber) Accounting policy appropriate but scope for improved disclosure

# Audit adjustments

## Adjusted misstatements

We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. Through the course of our work, we identified one matter that has resulted in an adjustment to the Council's financial statements and has been processed by management. The table below summarises the impact to the financial statements.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
<p>1 The Council had recognised the housing benefit debtor on a 'receipts and payments' basis, however, under accounting convention, it should have accrued for an additional £162k.</p> <ul style="list-style-type: none"> <li>Housing Benefit income has increased by £162k</li> <li>Housing Benefit debtor has increased by £162k</li> </ul> <p>Whilst this represents a financial gain to the Council, this is purely timing and not additional income to the Council.</p>	162	162	162

## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Note 38 – Contingent Liabilities	The Council has included additional narrative to further illustrate the extent of financial uncertainty that business rate appeals may have on the Council's financial position
2 Disclosure	Various	We have agreed a small number of presentation and narrative changes to the financial statements as well as suggested areas for further improvements in 2014/15. These are not significant in nature nor volume.

## Unadjusted misstatements



The Council has processed all audit adjustments, and therefore there are no further items to report to you.

# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 (Amber)	<p><b>Excessive number of Windows Administrators</b></p> <p>A large number of users were found to have high level System Administrator privileges (approximately 17 accounts excluding service accounts). This number of Administrators appears excessive. There is no evidence of staff with this level of access having been reviewed to ensure that these privileges are in line with the users job function. Through, the widespread ‘Administrator’ level access, users have also inherited access to high privilege groups within Windows.</p> <p>Widespread high level access to the system introduces a risk of accidental or deliberate misuse of the powerful rights.</p>	<p>A review should be performed of user accounts that have System Administrator level privileges and where this level of access is deemed inappropriate, these privileges should be withdrawn. This will also assist in reducing the number of users with access to high privilege groups in Windows.</p>
2.	 (Amber)	<p><b>Periodic user access reviews</b></p> <p>We were informed that ad- hoc user access rights reviews are undertaken periodically. No formal user access rights reviews are performed, on the network to ensure that only authorised staff have access to the network, and the levels of access granted is appropriate for their roles and responsibilities.</p> <p>If user access is not reviewed by management on a regular basis, there is a risk that leavers and unauthorised users may continue to have access to the Council's systems and data. The level of access provided may be disproportionate to roles and responsibilities.</p>	<p>We recommend that a formal documented process for reviewing user access is established. IT should send out user access rights to line managers to determine if the user access is still relevant an adequate.</p>

**Assessment**

-  (Red) Significant deficiency – risk of significant misstatement
-  (Amber) Deficiency – risk of inconsequential misstatement

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul>



## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that the Council has a realistic Medium Term Financial Plan which underpins a robust approach to annual budget setting. The budget is monitored and reported to Members appropriately with key issues and variances highlighted.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

The Council has seen a small increase in the level of useable reserves since the prior year, which is expected, over the medium-term, to reduce to £1.5m. Importantly, the Council needs to implement its 'Wyre Forest Forward' programme and realise the challenging level of savings projected.

A key challenge for the Council is to deliver its 2014/15 budget and close the gap on savings yet to be identified over the medium term.

We have completed our work and our findings are included in the table overleaf

## Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<ul style="list-style-type: none"> <li>• The Council has adequate arrangements in place to monitor its financial performance</li> <li>• The VFM profile tools collated by the Audit Commission show that the Council is performing in line with other district councils with regard to financial performance and spending on its residents</li> <li>• The Council has returned a small underspend against budget estimates and this has been achieved without significant withdrawal from earmarked reserves</li> <li>• We have rated this theme amber because:                             <ul style="list-style-type: none"> <li>- The Council's three year financial strategy, as reported to Council on 26 February 2014, models the level of useable reserves available to the Council through to 2017, when reserves are expected to be £1.5m. This includes the expectation that a 2% contribution from reserves will be required in 2015/16 and 2016/17</li> <li>- The Council, as with many local authorities is facing a long-term financial pressures and additional risks, such as business rate retention and reducing government funding</li> </ul> </li> </ul>	<b>Amber</b>
Strategic financial planning	<ul style="list-style-type: none"> <li>• The Council's longer term vision is articulated through the Corporate Plan, from which the medium term financial plan and budget book are derived</li> <li>• Each year the Council updates its medium term financial plan alongside the current year budget forecasts. By presenting both a short-term and long-term financial perspective, the Council is able to demonstrate it is aware of how both documents complement each other and support the Corporate Plan</li> <li>• We have reviewed the latest version of the Council's medium term financial plan, which is a comprehensive document that takes account of relevant assumptions</li> <li>• In light of the challenging local government finance settlement, management need to continue to ensure the plan is updated as the Council finalises its plans to deliver future budget savings through 'Wyre Forest Forward'</li> </ul>	<b>Green</b>

Theme	Summary findings	RAG rating
Financial governance	<ul style="list-style-type: none"> <li>• Adequate arrangements to ensure financial governance are in place</li> <li>• Members and officers receive timely reports that ensure that they understand the Council's financial performance and position</li> <li>• The Council understand the key drivers affecting its cost base and effective monitoring of unit costs is enabled through the budget monitoring process by budget holders</li> <li>• The Council has adequate risk management arrangements in place, with regular reporting of strategic risks to Members. Regular financial and non-financial performance information is both provided to officers and Members</li> </ul>	Green
Financial control	<ul style="list-style-type: none"> <li>• The Council has adequate arrangements for financial control in place. This includes its budget planning, the monitoring of its financial position and its financial forecasting, including savings planning</li> <li>• The Council has a track record for delivering budgeted savings and the Council's longer-term financial planning includes a policy on the level of reserves required for sound financial standing. However, there is longer term uncertainty in local authority financing from both the changes in business rate retention and grant settlements beyond 2015/16</li> <li>• The S151 Officer is supported by an experienced and well-qualified finance team and overall arrangements for Internal Audit remain consistent with the prior year and are, overall, adequate</li> </ul>	Green
Prioritising resources	<ul style="list-style-type: none"> <li>• The Medium Term Financial Plan takes account of changing national funding and assesses the impact of these changes on the Council's strategic priorities and financial targets, and also considers other income streams that could be increased to supplement the loss of government grant funding</li> <li>• The Council seeks regular feedback on the quality of its services through "Viewpoint", which is presented to Cabinet</li> <li>• The Council is continuously seeking to improve efficiency through changing the way that it works including shared services and working in partnership with neighbouring councils</li> </ul>	Green
Improving efficiency & productivity	<ul style="list-style-type: none"> <li>• The Council has historically delivered the savings required as set out in its annual budget and all savings and costs have been built into the medium term financial plan and budget for the forthcoming year</li> <li>• The Council has explored innovative ways of delivering services through working in partnership with other local authorities, including shared services</li> <li>• The six Worcestershire district councils, together with Worcestershire County Council, have been involved for several years in joint commissioning and sharing of services. The main arrangements include the Worcestershire regulatory shared service joint committee which provides licensing, registration, street trading and trading standards. This service is hosted by Bromsgrove District Council and covers all six districts together with the county council. Wyre Forest District Council hosts the North Worcestershire economic development and regeneration shared service, the North Worcestershire water management shared service and the North Worcestershire emergency planning and business continuity service.</li> <li>• In addition to the above, Wyre Forest Community Housing Group delivers the homelessness advice service under contract for Wyre Forest District Council and is located at the hub in order to provide a joined up service to customers.</li> <li>• Significant levels of savings are anticipated for all councils from these arrangements.</li> </ul>	Green

## Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non audit services and independence**

05. Communication of audit matters

# Fees, non audit services and independence

We confirm below our final fees charged for the audit

## Fees

	Per Audit plan £	Actual fees £
Council audit	64,348	64,348
Grant certification	9,000	9,000
Additional audit work to support the financial statement audit regarding Business Rates	NIL	900
<b>Total audit fees</b>	<b>73,348</b>	<b>74,248</b>

### Fee Variation for Business Rates

There is an additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NNDR3 claims.

## Fees for other services

Service	Fees £
None	Nil

## Independence and ethics

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

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

## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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

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

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

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



# Appendix A: Action plan

Rec No.	Recommendation	Priority (High, Medium, Low)	Management response
1	<p>A review should be performed of user accounts that have System Administrator level privileges and where this level of access is deemed inappropriate, these privileges should be withdrawn. This will also assist in reducing the number of users with access to high privilege groups in Windows.</p>	Low	<p>Summary: The number of administrators is not excessive and is kept under review.</p> <p>There are 14 accounts which are allocated only to members of the ICT team. Some members of the team have 2 accounts because they have different rights e.g. access to GCSX for additional control. The Council's team is generic and multi-functional. These flexible arrangements provide resilience and speed of response: they best meet our business needs.</p> <p>There are 3 External Network Support accounts available to three specified companies. ICT enable and disable these accounts as required. Additionally a script also runs nightly to ensure they are all disabled. Whenever the supplier is logged in, we are working with them either on a problem or as part of a project. In general we work very closely with anyone logged in and oversee what they are doing, be it on site or remotely. This ensures we know what they are doing. It also helps us to understand the problem and ensure we can fix it in the future if it arises again; or, in the case of project work, it forms part of the training for ICT staff.</p> <p>There are presently 32 System Accounts. They have been reduced by approximately 10 since the audit earlier in the year and, following our most recent review, they will again be reduced by at least another 10. Only ICT staff have access to these accounts which are specific to particular applications or services run on the servers. Often they are a requirement in order successfully to operate the IT and therefore WFDC does not have full control over their number.</p>
2	<p>We recommend that a formal documented process for reviewing user access is established. IT should send out user access rights to line managers to determine if the user access is still relevant and adequate</p>	Low	<p>The Council already has a clear written policy for managers to notify ICT of starters, leavers and any changes to access. There are e-forms on the intranet for new users and leavers, which allow managers to email the helpdesk about these changes to access.</p> <p>As a check, the HR team emails the helpdesk monthly with a starters and leavers list which ICT cross reference with the system and follow up if there are any cases that haven't previously been notified.</p> <p>Access levels to business systems such as Agresso, IBS etc are controlled by system administrators for those systems as identified in the new security policy under "data owners". The policy recommends systems administrators review staff access levels every 6 months.</p>

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WYRE FOREST DISTRICT COUNCIL

### Opinion on the Authority financial statements

We have audited the financial statements of Wyre Forest District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Wyre Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wyre Forest District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Wyre Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

### **Certificate**

We certify that we have completed the audit of the financial statements of Wyre Forest District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Stocks  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza  
20 Colmore Circus  
BIRMINGHAM  
West Midlands  
B4 6AT

September 2014

# Appendix C: Management Representation Letter

\*\*\*Prepare on client letterhead\*\*\*

Grant Thornton UK LLP  
Dear Sirs

**Wyre Forest District Council**

**Financial Statements for the year ended 31 March 2014**

This representation letter is provided in connection with the audit of the financial statements of for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **Financial Statements**

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.

We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## **Information Provided**

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of your audit; and
- unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

We are satisfied that our approach to accounting for business rates is consistent with accounting standards.

## **Annual Governance Statement**

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

## **Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on [DATE].

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**29<sup>th</sup> SEPTEMBER 2014****Statement of Accounts 2013/14**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor N J Desmond
<b>RESPONSIBLE OFFICER:</b>	Chief Financial Officer
<b>CONTACT OFFICERS:</b>	Tracey Southall Ext. 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a> Lisa Hutchinson Ext. 2120 <a href="mailto:lisa.hutchinson@wyreforestdc.gov.uk">lisa.hutchinson@wyreforestdc.gov.uk</a>
<b>APPENDICES:</b>	Appendix 1 - Draft Letter of Representation 2013/14 Appendix 2 –Statement of Accounts Overview 2013/14

**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present the changes that have been required to the Statement of Accounts for 2013/14 following the audit undertaken by Grant Thornton UK LLP (Grant Thornton).
- 1.2 The Council is also required to provide an updated version of the Letter of Representation to the auditors, before they will issue the audit opinion for 2013/14; the wording of this is attached for approval.

**2. RECOMMENDATION**

**The Audit Committee is asked to DECIDE that:-**

- 2.1 **The Revised Statement of Accounts for 2013/14 be approved.**
- 2.2 **The Letter of Representation for 2013/14 attached at Appendix 1 be approved.**

**3. BACKGROUND**

- 3.1 The draft Statement of Accounts was certified as a true and fair position by the Chief Financial Officer, and endorsed by Audit Committee at the meeting held on June 30<sup>th</sup> 2014.
- 3.2 During the course of the audit there were a number of issues raised by the Auditors and the Accounts were amended accordingly. Most of these were changes to disclosures that improve the presentation of the clarity of the financial statements for the users of the accounts. The exception was an adjustment of £162k to increase the Short Term Debtors to reflect additional Housing Benefits debtors being recovered from ongoing benefits identified during the course of the audit. This means that rather than drawing £35k from balances, as reported on the 30<sup>th</sup> June 2014, there is now a contribution to reserves of £127k. This is good news for the Financial Strategy going forward. The Chief Financial Officer has now re-certified the amended Statement of Accounts, prior to the consideration by the Audit Committee.

- 3.3 Grant Thornton has now concluded their audit of the accounts and have indicated they will be providing an unqualified opinion.
- 3.4 Incorporating the agreed changes, the Statement of Accounts will be published by 30<sup>th</sup> September 2014, and this will also be made available on the Council's web-site.
- 3.5 The Letter of Representation is attached at Appendix 1. This letter is in line with Grant Thornton's requirements as detailed within their Audit Findings Report. This letter is to be signed by the S.151 Officer (Chief Financial Officer), and the Chair of the Audit Committee.
- 3.6 A revised Statement of Accounts overview is attached at Appendix 2. A full copy of the Statement has been emailed to all Audit Committee members; paper copies will be made available at the meeting on request.

#### **4. KEY ISSUES**

- 4.1 The audit of the Statement of Accounts for 2013/14 has been concluded and Grant Thornton has indicated they will issue an unqualified Opinion.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 This is a financial report identifying changes to the Statement of Accounts 2013/14 following the audit, and presentation of the Letter of Representation.
- 5.2 An adjustment of £162k has been made to increase the Short Term Debtors to reflect additional Housing Benefits debtors being recovered from ongoing benefits identified during the course of the audit. This means that rather than drawing £35k from balances, as reported on the 30<sup>th</sup> June 2014, there is now a contribution to reserves of £127k.

#### **6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 It is a requirement of the Accounts and Audit Regulations 2011 that the Statement of Accounts is published by the 30<sup>th</sup> September following the end of the financial year.

#### **7. RISK MANAGEMENT**

- 7.1 The accounts must be published by the 30<sup>th</sup> September 2014, if they are not approved this would mean the Council has not complied with Accounts and Audit Regulations. The risk of a qualified audit report has also been managed as part of this process.

#### **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 The Council is required to prepare and approve the draft Statement of Accounts by 30<sup>th</sup> June 2014, and for these to be audited and published by 30<sup>th</sup> September 2014. This report highlights the changes to the Accounts, required as a result of the audit.
- 9.2 The report also seeks approval of the Letter of Representation which is required to be signed before Grant Thornton can provide their opinion in relation to the 2013/14 Statement of Accounts.

**10. CONSULTEES**

- 10.1 Corporate Management Team/Cabinet Member and Leader.
- 10.2 Grant Thornton.

**11. BACKGROUND PAPERS**

- 11.1 Accounts and Audit Regulations 2011.
- 11.2 Audit Committee Report 30<sup>th</sup> June 2014.
- 11.3 Code of Practice of Local Government Accounting 2013/14.

Grant Thornton UK LLP  
Colmore Plaza  
20 Colmore Circus  
Birmingham  
B4 6AT

**Agenda Item No. 6**  
**Appendix 1**  
**Tracey Southall**  
**Chief Financial Officer**  
tel: 01562 732125  
fax: 01562 732104  
email: tracey.southall@wyreforestdc.gov.uk  
my ref: TS/LH/JHL

29<sup>th</sup> September 2014

Dear Sirs

**Wyre Forest District Council**  
**Financial Statements for the year ended 31<sup>st</sup> March 2014**

This representation letter is provided in connection with the audit of the financial statements of Wyre Forest District Council for the year ended 31<sup>st</sup> March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.



- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code requires adjustment or disclosure have been adjusted or disclosed.
- ix We have adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xii We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

#### **Annual Governance Statement**

- xx We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

#### **Approval**

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 29<sup>th</sup> September 2014.

#### **Signed on behalf of Wyre Forest District Council**

Name.....Tracey Southall

Position...Chief Financial Officer

Date.....29<sup>th</sup> September 2014

Name.....Councillor Tracey Onslow

Position...Chair of the Audit Committee

Date.....29<sup>th</sup> September 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 30<sup>th</sup> 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 was 30<sup>th</sup> June 2014 in accordance with the Accounts and Audit Regulations.

This Council's timetable for approval is as follows:

- : Cabinet – 19<sup>th</sup> June 2014 (Major Variations only); and then
- : Chief Financial Officer approval/Audit Committee – 30<sup>th</sup> June 2014
- : Audit Committee – 29<sup>th</sup> 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 30<sup>th</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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**

<b>2012/13 Net Expenditure/ (Income) (restated) £000's</b>	<b>Service Area</b>	<b>2013/14 Net Expenditure/ (Income) £000's</b>
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	1,512
2,366	Corporate and Democratic Core	2,459
623	Non Distributed Costs	390
<b>14,045</b>	<b>Net Cost of Services</b>	<b>14,006</b>
464	Parish Precepts	442
(113)	Other Net Operating (Income)/Expenditure	162
(164)	Net Investment Income	(44)
(1,177)	Other Accounting Adjustments*	(2,637)
<b>13,055</b>	<b>Amount to be met by Government Grant/Council Tax</b>	<b>11,929</b>
	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>	<b>Movement in Revenue Fund Balance</b>	<u>(127)</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 report to Cabinet on 19<sup>th</sup> June 2014. A further saving of £162,000 in respect of additional recovery of Housing Benefit overpayments has been identified as part of the audit process. This demonstrates significant savings 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**

<b>31/03/13 £000's</b>	<b>What the Council owns and is owed</b>	<b>31/03/14 £000's</b>
	<b>What we own:</b>	
53,675	Buildings, Land, Vehicles and Equipment	<b>51,392</b>
78	Inventories	<b>79</b>
8,506	Cash Invested	<b>10,365</b>
3,671	Money owed to the Council	<b>4,813</b>
	<b>What we owe:</b>	
(7,460)	Money owed by the Council	<b>(10,587)</b>
(53,110)	Pension Fund Liability	<b>(49,012)</b>
<b>5,360</b>	<b>Total Value of what we own</b>	<b>7,050</b>
	<b>Financing:</b>	
	<b>Usable Reserves</b>	
2,139	Capital Expenditure Reserve	<b>2,129</b>
4,396	Earmarked Reserves	<b>4,955</b>
3,168	General Reserves	<b>3,295</b>
719	Capital Grants Unapplied	<b>577</b>
	<b>Unusable Reserves</b>	
48,139	Capital Financing Reserves	<b>45,177</b>
(53,110)	Pensions Reserve	<b>(49,012)</b>
(91)	Short-term Accumulated Absences Account	<b>(71)</b>
<b>5,360</b>	<b>Total Reserves</b>	<b>7,050</b>

**10. WHAT ARE OUR RESERVES?**

<b>31/03/13 £000's</b>	<b>General Fund Reserves:</b>	<b>31/03/14 £000's</b>
3069	At beginning of the year	3,168
99	Movement in Revenue Fund Balance	127
<b>3,168</b>	<b>Balance at the end of the year</b>	<b>3,295</b>

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

	<b>Capital Expenditure Reserve and other Reserves and Capital Contributions set aside for the future:</b>	
	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
<b>7,254</b>	<b>Total Capital and Revenue Reserves</b>	<b>7,661</b>

## 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 31<sup>st</sup> 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 31<sup>st</sup> March 2014 (reserves)
- How the money is invested at 31<sup>st</sup> 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. Wyre Forest also introduced a scheme, whereby residents previously in receipt of full benefit had to pay at least 8.5 % of their Council Tax. Many other Councils introduced similar schemes and the other Worcestershire districts are also now following our lead. It is pleasing to note collection rates have not suffered significantly as a consequence, and are 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 30<sup>th</sup> of September 2014.

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**  
**29<sup>th</sup> SEPTEMBER 2014**

**Internal Audit Monitoring Report**  
**Quarter Ended 30<sup>th</sup> June 2014**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Councillor N J Desmond
<b>RESPONSIBLE OFFICER</b>	Tracey Southall, Extension 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDICES:</b>	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 30 <sup>TH</sup> June 2014

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30th June 2014, attached as Appendix 1.

**2. RECOMMENDATION**

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

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 30<sup>th</sup> June 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 2014~15 in March 2014 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 4 sections which are:

- Section 1 **Final** internal audit reports issued in the quarter
- Section 2 **Follow up** reviews undertaken in the quarter  
Incorporating Recommendations in progress
- Section 3 **Draft** internal audit reports issued in the quarter
- Section 4 **Work In Progress** to include draft reports issued following completion of 2013~14 Annual Audit Plan
- Section 5 **Performance Statistics**

A number of other reviews are currently in progress. To support the work in progress, a summary of **action plans** issued is detailed within section 4 for Member information. In addition to the managed audits, within the audit plan resources are allocated to **consultancy and advice** for which a summary of the requests dealt with by Internal Audit is included within the performance statistics.

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

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

3.8 The 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.

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

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

3.11 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where the area is being reviewed by Internal Audit in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.

- 3.12 The Corporate 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 make recommendations to management on potential improvements to the internal control environment of the system under review. It is management's responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.
- 4.2 The Quarterly monitoring report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been adopted to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. The success or otherwise of a service is reported via other dimensions of the Council's Performance Management Framework including 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 Standards<sup>1</sup>. 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.

**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.”

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<sup>1</sup> 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).

**7. EQUALITY IMPACT NEEDS ASSESSMENT**

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

**8. RISK MANAGEMENT**

- 8.1 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.
- 8.2 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.
- 8.3 The Internal Audit service is one element of the Council's assurance/internal control framework.
- 8.4 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.

**9. CONCLUSION**

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 30<sup>th</sup> June 2014 is reported within Appendix 1. This information is presented to members in accordance with the Internal Audit Charter for the Internal Audit Team.

**10. CONSULTEES**

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

**11. BACKGROUND PAPERS**

- 11.1 24<sup>th</sup> March 2014 ~ Audit Committee ~ Internal Audit Annual Audit Plan 2014~15.  
24<sup>th</sup> March 2014 ~ Audit Committee ~ Internal Audit Charter.  
12<sup>th</sup> 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  
30<sup>th</sup> JUNE 2014**

**INTERNAL AUDIT**  
**QUARTERLY AUDIT REPORT**  
**QUARTER ENDED 30<sup>TH</sup> JUNE 2014**

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Cheryl Ellerton  
 PRINCIPAL AUDITOR

Tracey Southall  
 SECTION 151 OFFICER

26<sup>th</sup> August 2014



SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30 <sup>th</sup> JUNE 2014		
	ASSURANCE	PAGE
<b>CORE FINANCIAL SYSTEM REVIEWS</b>		
<b>Key Systems</b>		
2013~14 Accounting Journals (Extract of Budgetary Control/Monitoring)	<b>S</b>	<b>58</b>
2013~14 Payroll (Compliance) ~ WFDC (Arrangements within the Accountancy Team)	<b>S</b>	<b>59</b>
2013~14 Payroll (Reconciliations) ~ WFDC (Arrangements within the Accountancy Team)	<b>S</b>	<b>60</b>
2013~14 VAT (Arrangements for Collection/Payment/Accounting for Value Added Tax)	<b>S</b>	<b>61</b>
<b>Subsidiary System</b>		
2013~14 Reconciliation of Miscellaneous Income (Extracted from Cash to Bank)	<b>F</b>	<b>-</b>

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.

<b>AUDIT REPORT TITLE:</b> Journals Review 2013-14 (Part of Budgetary Control & Monitoring)	<b>ACTION PLANS:</b> N/A	<b>SERVICE:</b> Chief Executive Unit (Accountancy)
<b>BUDGET:</b> Various <b>REF:</b> N/A	<b>DRAFT REPORT DATE ISSUED:</b> 12 <sup>th</sup> March 2014	<b>RESPONSE RECEIVED DATE:</b> 20 <sup>th</sup> May 2014
	<b>FINAL REPORT DATE ISSUED:</b> 5 <sup>th</sup> June 2014	

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	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	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 2013-14 annual audit plan and supports the final account audit undertaken by the Council’s external auditors, Grant Thornton. The review sought to ensure that the system in place for journal transfers complied with control objectives; that each journal is uniquely referenced; includes adequate narrative explaining the transfer and are correctly authorised; that there is independent review of exceptions, new general ledger codes are created appropriately and that Journals are not being actioned to prevent full authorisation of virements.

The review comprised examination of the Council’s procedures for the raising and posting of journals to the Agresso Financial Management System (FMS) to test for completeness and accuracy. A sample of journals across all Directorates was examined to ensure that only authorised employees were creating them, with signatures confirming this. Journals external to Accountancy were created within Agresso and sent to the relevant authorised signatory for approval. There is a process to ensure that all journal documentation is returned to Accountancy and filed to evidence journal transactions. As at February 2014, the Accountancy journals (mainly for recurring monthly entries, transfers and corrections) for the period November 2013 to January 2014 had been appropriately actioned, however they had not been printed from the Agresso Financial Management System for peer review and authorisation.

**Review Of Suspense Accounts**

A independent check undertaken on new general ledger codes created within Agresso confirmed that they were created under authorised instruction. From examination of exceptions identified with the holding account ‘Dummy 99999’ used to register supplier invoices with insufficient data, four invoices covering the period March-October 2013 had not been cleared in a timely manner. These were addressed during the course of the audit review.

**Conclusion:**

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

<b>AUDIT REPORT TITLE: Payroll Audit 2013-2014 (Compliance)</b>	<b>ACTION PLANS: 27<sup>th</sup> November 2013</b>	<b>SERVICE: Chief Executive – Accountancy (Payroll)</b>
<b>BUDGET: £6,189,276 Net Payroll 2013~14</b>	<b>DRAFT REPORT DATE ISSUED: 31<sup>st</sup> March 2014</b>	<b>RESPONSE RECEIVED DATE: 27<sup>th</sup> November 2013/20<sup>th</sup> May 2014</b>
<b>REF: VARIOUS</b>	<b>FINAL REPORT DATE ISSUED: 5<sup>th</sup> June 2014</b>	

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

**Overview:**

This audit forms part of the annual reviews undertaken as part of the 2013~14 annual audit plan. The review sought to ensure that all input documents processed by WFDC were correct and refer to bona fide employees. Both Human Resources and Payroll services are provided by external suppliers, Worcestershire County Council and Redditch Borough Council respectively, therefore, observations made in reference to the payroll processing to be addressed by Worcestershire County Council and Redditch Borough Council will be reported under separate cover.

Testing was undertaken on 22 employee’s salary/members payments over the financial year, ensuring that payments were made correctly to bona fide employees. A check was undertaken to ensure that all input documentation processed by WFDC was accurate and processed in a timely manner. Detailed compliance testing was undertaken on the June and August 2013 payroll runs. . During the review, clarification was sought and provided from the Redditch Payroll Team in respect of 2 National Insurance calculations, 1 long service calculation and 1 superannuation calculation. In respect of the superannuation calculation, the testing identified that the contribution for one employee was calculated at an incorrect rate following an increase in their salary. This has been raised with the payroll team at Redditch BC for which an observation is detailed below for completeness.

As a result of the examination of records processed by the WFDC Payroll Liaison Officer for payment by the Redditch BC Payroll Team, one issue was identified: in relation to the calculation of NI based on mileage claims that are paid above the HMRC rate of 45p. This is applicable to current employees previously TUPE’d across. This was discussed with the Principal Accountant during the review with agreement to ensure that the HMRC rate of 45p to be included for mileage claims payable from December 2013 for which a recommendation is detailed below. Examination of scanned employee records to support the WFDC payroll highlighted a requirement for more detailed cross referencing and verification that records had been scanned correctly to support the advisory recommendations as detailed.

**Conclusion:**

The Human Resources service was transferred to the County Council in November 2010 and the Payroll Services to Redditch Borough Council from 1<sup>st</sup> April 2011, this report concentrated specifically of the Payroll processes undertaken by the WFDC Payroll Liaison Officer. There are some areas where there are opportunities for improvement for which the implementation of recommendations as agreed will further enhance the system. At the time of the audit review, **SOME** assurance could be given on the controls in place for the administration procedures however controls need to be tightened to ensure processes are operating as intended.

<b>AUDIT REPORT TITLE:</b> Payroll Reconciliation Review 2013-14  <b>BUDGET: £45,000 (RBC~SLA Only)</b> Estimated Net Payroll £6,189,276 ~ 2013-14 REF: VARIOUS	<b>ACTION PLANS: 22<sup>nd</sup> August 2013/15<sup>th</sup> November 2013</b>  <b>DRAFT REPORT DATE ISSUED:</b> 4th April 2014 (Quarter 31.03.14)  <b>FINAL REPORT DATE ISSUED: 5<sup>th</sup> June 2014</b>	<b>SERVICE: Chief Executive Accountancy (Payroll)</b>  <b>RESPONSE RECEIVED DATE: 20<sup>th</sup> May 2014</b>
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	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 2013-2014 annual audit plan. Wyre Forest District Council's (WFDC) payroll services are provided by external suppliers, Redditch Borough Council (RBC). The review sought to ensure that the WFDC payroll, processed by Redditch BC, was correct and accurate. The Service Level Agreement between Wyre Forest District Council and Redditch BC provides for the audit of the service to be undertaken by the Internal Audit Team of Wyre Forest District Council (21.3) and that the outcome of the audit should be reported to the Director of Resources (RBC) for information. The detailed compliance testing has been reported under separate cover with actions for both Redditch BC and WFDC respective payroll teams.

This review examined the June and September 2013 payroll reconciliation documentation to cover the extracts from the CHRIS21 payroll system (Redditch BC) and the general ledger, the WFDC Agresso Financial Management System. The review included reconciliation of the Bank Automated Clearing System (BACS) salary payments to ensure they were accurate, processed correctly and in a timely manner, for which no errors were found. To support the monthly reconciliations of the payroll to the general ledger verification was undertaken on the RBC control sheet reconciliations, exception reporting and the system parameters.

The monthly reconciliations completed within the Accountancy Team had been completed in a timely manner. During the review of the June reconciliation historical processes were identified and the procedure reviewed by Internal Audit in consultation with the Principal Accountant and Senior Accountancy Assistant. Recommended reconciliation changes were promptly actioned during the audit review to streamline the procedure of reconciliation. The review of the manual control sheet reconciliation processes found that they had been completed accurately and in a timely manner; exception reports had been appropriately reviewed and system parameters were correct.

It is acknowledged that with the change of key personnel covering the WFDC payroll the level of payroll reconciliation controls should to be maintained. Further observations were made during the audit review as part of an Action Plan in relation to accepting and actioning WFDC payroll documents forwarded by the HR section (hosted by Worcestershire County Council) to the Redditch BC payroll section for which advisory recommendations have been proposed, which also ensure the updating and accessing of the query log.

**Conclusion:**

This review specifically concentrated on the procedures for the monthly reconciliation of the payroll data via the services delivered by Redditch BC under the Service Level Agreement to the WFDC Financial Management System. During the review, there were matters arising in respect of supporting documentation forwarded to the Redditch BC Payroll Team for action and payment providing for areas of opportunity for improvement, for which the implementation of recommendations as agreed will further enhance the system. The review has concluded therefore, that at the time of the audit review, **SOME** assurance could be given on the controls in place for the administration of the Wyre Forest District Council payroll to cover information provided by the HR Team to Redditch BC Payroll Team as detailed in the report below.

<b>AUDIT REPORT TITLE: Value Added Tax 2013~14</b>	<b>ACTION PLANS:N/A</b>	<b>SERVICE: Chief Executive (Accountancy)</b>
<b>BUDGET: VARIOUS</b>	<b>DRAFT REPORT DATE ISSUED: 11<sup>th</sup> March 2014</b>	<b>RESPONSE RECEIVED DATE: 20<sup>th</sup> May 2014</b>
<b>REF: N/A</b>	<b>FINAL REPORT DATE ISSUED: 5<sup>th</sup> June 2014</b>	

Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	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 Internal Audit Plan for 2013~14 and concentrated on the controls in place in respect of collecting, paying and accounting for Value Added Tax (VAT) to ensure compliance with legal and statutory regulations. The review documented the system in place by review of information and testing performed as appropriate to ensure that the control objectives identified in advance were operating effectively. For the level of assurance given, the transactions for one month's Value Added Tax return were walked through.

The review also comprised examination of the Council's procedures for the payment and recovery of VAT. The HMRC returns are submitted on a monthly basis. The September 2013 (submitted 25<sup>th</sup> October 2013) was examined in detail, with all entries substantiated from supporting documentation. There were no issues arising. All supporting documentation is retained for the statutory 6 years. All Creditor Invoices (Accounts Payable) are scanned onto the Financial Management System, Agresso; the Debtor Invoices (Accounts Receivable) are raised via Agresso.

Detailed compliance testing was undertaken to ensure that VAT Input Tax on Creditor Invoices/Procurement Card Expenditure/Petty Cash Vouchers were paid to registered bodies with legitimate VAT numbers; that VAT Output Tax on Debtor Accounts was charged accordingly on invoices. From the sample of Creditor Invoices and Debtor Accounts selected there were no issues arising regarding the treatment of VAT. From the examination of purchases via procurement cards and petty cash, issues were identified in respect of the treatment of input tax. These were raised with the Principal Accountancy Assistant and promptly addressed, for which advisory recommendations are detailed below.

It was confirmed that the Council has a nominated point of contact for employees should there be any concerns relating to VAT, this employee is knowledgeable in the area of VAT but also the Council recognises that VAT is a specialist area and subscribes to a helpline provided by Price Waterhouse Coopers for enquires should the need arise.

**Conclusion:**

On the basis of the work undertaken, the review has concluded that in general the system in place for the collecting, paying and accounting for Value Added Tax is well managed. However, there were instances where VAT invoices had not been requested and one instance where the scanned copy of the invoice was not eligible, for which the implementation of recommendations as agreed will further strengthen procedures. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place in respect of the recording and accounting for Value Added Tax to ensure compliance with legal requirements/regulations.

**Quarter Report to the 30<sup>th</sup> June 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	
<b>CORE FINANCIAL SYSTEMS</b>							
Establishment (2012/13)	K	S	2	2	-	-	
Corporate Creditors ~ Compliance (2012/13)	K	S	3	0*			
Corporate Creditors ~ Reconciliations (2012/13)	K	S	3	0*			

\*Recommendations form part of the Finance Intervention commenced April 2014

**Quarter Report to the 30<sup>th</sup> June 2014**

<b>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30<sup>TH</sup> JUNE 2014</b>		
<b>REPORTS ISSUED AFTER 30<sup>TH</sup> JUNE 2014 FINALISING 2013~14 INTERNAL AUDIT ANNUAL PLAN</b>		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
<b>RESOURCES</b>		
Creditors (Accounts Payable) Compliance 2013~14	19.08.14	Draft Report
Debtors (Accounts Receivable) ~ Compliance/Reconciliations 2013~14	14.07.14	Draft Report

**SECTION 4**

The following 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 2014~15 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

<b>WORK IN PROGRES AS AT 30<sup>TH</sup> JUNE 2014</b>	<b>Status</b>	<b>Action Plans</b>
<b>AUDIT REVIEW</b>	<b>As At 30.06.14</b>	<b>DATE OF ISSUE Action Plan No 1</b>
<b><u>Core Financial Systems (Annual Assurance Reviews)~ 2014/15 Annual Audit Plan</u></b>		
Accounting (Cash To Bank) ~ Bank Reconciliation	Stage 1	20.08.14 (Qrt 1)
Benefits Compliance (Housing Allowances)~Entitlement	Stage 1	20.08.14 (Qrt 1)
Benefits Compliance (Housing Allowances)~Overpayments	Stage 2	-
Benefits Compliance (Council Tax Discount {Local} Scheme)	Stage 1	20.08.14 (Qrt 1)
Benefits Compliance (Council Tax Discount {Local} Scheme ~ Overpayments	Stage 1	22.08.14 (Qrt 1)
Council Tax ~ Compliance/Recovery	Stage 2	-
Council Tax ~ Reconciliations	Stage 3	-
Creditors (Accounts Payable) Compliance	Stage 2	-
Creditors (Accounts Payable ) Reconciliations	Stage 3	-
Debtors (Accounts Receivable) Compliance	Stage 2	-
Debtors (Accounts Receivable) Reconciliations	Stage 2	-
Establishment Reconciliation	Stage 3	-
NNDR ~ Compliance/Recovery	Stage 2	-
NNDR ~ Reconciliations	Stage 3	-
Payroll ~ Reconciliations (WFDC Accountancy Team)	Stage 3	-
Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team)^	Stage 1	09.07.14
^ <b>Field Work includes Local Government Pension Scheme &amp; Local Pay Award</b>		
<b><u>Cyclical System Reviews</u></b>		
Fees & Charges ~ Kidderminster Town Hall*	Stage 1	20.06.14
<b>*Internal Audit Review to compliment On-going Intervention for the Town Hall</b>		

**KEY**

- Stage 1      Phase 1 Field Work Complete with Action Plan to Service Manager.
- Stage 2      Phase 1 Field Work Complete and Peer Reviewed ~ Action Plan to be issued.
- Stage 3      Field Work In Progress.

**SECTION 5**

**Performance Against Annual Plan For The Financial Year 2014/15**

**Quarter ended 30<sup>th</sup> June 2014**

**Year to 30<sup>th</sup> June 2014**

	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>		<u>Year To Date 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	75.00	72.25	103.81%	System and Probity	75.00	289	25.95%
ICT Audit (Governance, Advice & Assistance)	4.75	10.00	47.50%	ICT Audit (Governance, Advice & Assistance)	4.75	40	11.88%
Contract Audit/Procurement	0.25	6.25	4.00%	Contract Audit/Procurement	0.25	25	1.00%
Consultancy and Advice	14.75	12.50	118.00%	Consultancy and Advice	14.75	50	29.50%
Contingency for Investigations	2.50	5.00	50.00%	Contingency for Investigations	2.50	20	12.50%
Specific Service Duties	9.00	6.25	144.00%	Specific Service Duties	9.00	25	36.00%
<b>Sub Total</b>	106.25	112.25	94.65%	<b>Sub Total</b>	106.25	449	23.66%

**TARGET 95.00%**

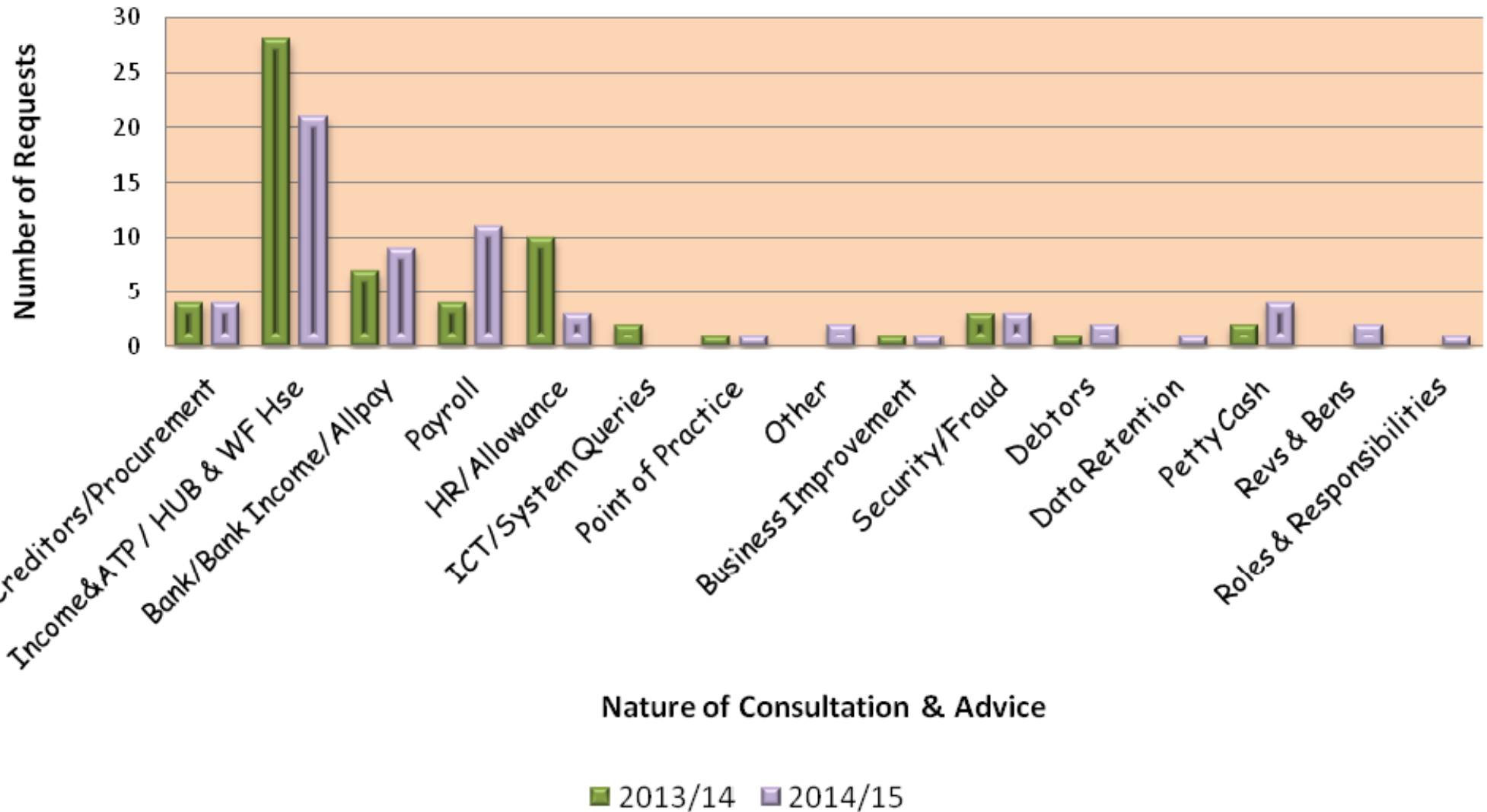
**Audit Resource Statistics**

For the quarter to 30<sup>th</sup> June 2014 actual against plan is **94.6 %** compared to a target of **95%** (94.9% against 95% target for quarter 30<sup>th</sup> June 2013).

Within the time allocated in the above table, during this first quarter of 2014~15 the Internal Audit Team have responded to 65 requests for advice and consultancy as categorised in the graph overleaf, in comparison to the 63 requests received and actioned for the same period for 2013/14.



### Comparison of Audit Consultancy & Advice Quarter 1 (April - June 2013/14 & 2014/15)



In addition to the planned work detailed above, the Internal Audit Team have also undertaken work in other areas for which a formal report has not been issued although time has been allocated within the Internal Audit Annual Plan as approved by the Audit Committee in March 2014.

**Information Communications Technology (ICT)**

**Information Security Group, to include the Review of the following ICT Polices:-**

ICT Access Control Policy  
ICT Disposal Policy  
ICT Physical Security Policy  
Mobile Flexible Working Policy

Advise on Prospective Changes to the workflow for requisitions (procure to pay) as part of the on-going finance intervention.

Advise and undertake testing on the system changes to the ICON Cash Receipting System upgrade.

**Wyre Forest Forward ~ Interventions**

As part of the Consultancy and Advisory role detailed within the Internal Audit Plan, members of the Internal Audit Team are currently involved in Wyre Forest Forward Systems Thinking reviews; overseeing and advising on proposed system changes to ensure Key Controls are not compromised.

During the quarter ended 30<sup>th</sup> June 2014, the Senior Auditor, as a member of the Finance Intervention Board, attended regular meetings around the “Help Me Make Good Financial Decisions” purpose.

In addition, the Senior Auditor is undertaking an active role within the Finance Intervention working groups, currently reviewing the debt recovery process and the budget information available to Managers. Where it is not possible to accommodate this work within the Internal Audit Plan, costs will be met from the Transformation Project funds. The role of the Senior Auditor is to ensure that risk is mitigated in the event of proposed changes to current systems.

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**29<sup>TH</sup> SEPTEMBER 2014****Risk Management – Corporate Risk Register**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor N J Desmond
<b>RESPONSIBLE OFFICER:</b>	Chief Financial Officer
<b>CONTACT OFFICER:</b>	Tracey Southall Tracey.southall@wyreforestdc.gov.uk
<b>APPENDICES:</b>	Appendix 1 - Corporate Risk Register as at 31 <sup>st</sup> July 2014

**1. PURPOSE OF REPORT**

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

**2. RECOMMENDATIONS**

- 2.1 The Audit Committee are asked to **CONSIDER AND NOTE** the Corporate Risk Register and the associated mitigating actions as at 31<sup>st</sup> July 2014.

**3. BACKGROUND**

- 3.1 Council approved a Risk Management policy statement and strategy in February 2008. The approved Risk Management strategy requires that the risk register entries for the Council, both strategic and operationally are considered by the Audit Committee.
- 3.2 The authority manages a corporate risk register for the significant organisational risks. The risk registers are held within the Covalent computer application. Arrangements are in place to ensure that access is available to all officers who require it.
- 3.3 The Corporate Risk Register was reviewed during 2011, this review was undertaken by the then Corporate Management Team and the Cabinet in discussions facilitated by Zurich Municipal Management Services. The Corporate Risk Register taken forward for 2014~15 has been developed and approved by the Corporate Leadership Team.

**4. KEY ISSUES**

- 4.1 Risk Management is embedded within the Council through the Corporate Risk Register. Any report considered by Councillors includes a Risk Management Section and specific registers are monitored separately for significant individual projects.
- 4.2 The external auditors Grant Thornton have recognised the work the Council has achieved in this area. This was documented within the Financial Resilience Report 2012/13, considered by the Audit Committee on 23<sup>rd</sup> September 2013. This report observed that improvement have been made to the Risk Register and stated:

*“The Framework’s size and number of risks reported is pitched appropriately to allow Cabinet/Executive to keep the main risks under adequate review.”*

A “green” assessment was made as part of the Assurance Framework/Risk Assessment.

- 4.3 It is appropriate for the Audit Committee to consider the current Corporate Risk Register attached at Appendix 1, updated to the end of July 2014 and agreed by CLT. It is suggested that the Corporate Risk Register continue to be reported on a 6 monthly basis to the Audit Committee, following consideration by the Corporate Leadership Team.

**5. FINANCIAL IMPLICATIONS**

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

**6. LEGAL AND POLICY IMPLICATIONS**

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

**7. RISK MANAGEMENT**

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

**8. EQUALITY IMPACT NEEDS ASSESSMENT**

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

**8. CONCLUSION**

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

**9. CONSULTEES**

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

**10. BACKGROUND PAPERS**

- 10.1 Audit Committee ~ 24<sup>th</sup> March 2014~Corporate Risk Register.

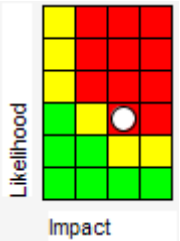
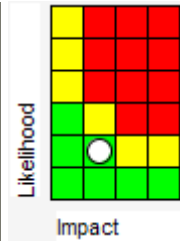
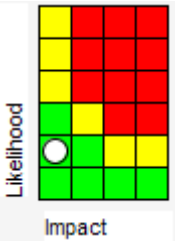

# Corporate Risk Register 2014/15








CORPRISK01	<p><b>Regular change in the political balance /direction of the Council.</b> The Council has a history of being hung and the current political situation is finely balanced. Having elections by thirds does not help to provide political stability. Whilst a vote on this issue in July 2013 failed to secure the required 2/3 majority, a formal Strategic Alliance is now in place. The LGA will provide a package of support if there is a change in the political control following the "All-Out" elections in May 2015, to help mitigate risk in the transitional period.</p>						
Original Matrix		Current Risk Matrix		Target Risk Matrix			

	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward.	Alison Braithwaite	31-Mar-2015	AB: Ian Miller, Chief Executive provided Members with an update on the council's Transformation Programme at the Members' Forum on 17 July. Members will be invited to visit the various system thinking interventions during September 2014.	50%	
	Delivery of the Wyre Forest Forward Programme likely to be even more challenging given the growth in the target savings assumed in the approved budget requiring £2m further savings in the next 2 years	Tracey Southall	31-Mar-2016	Total savings now achieved for 14/15 are 69%	69%	
	LGA Assistance	Ian Miller	31-Mar-2016	The need for LGA Assistance will be reviewed following the May 2015 election.	0%	

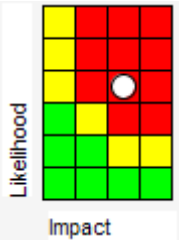
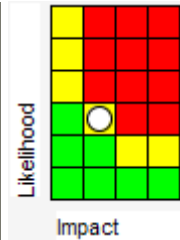
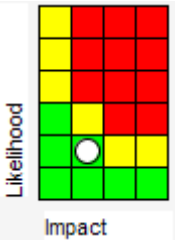

**CORPRISK02** **Unable to implement and embed new ways of working.** The Council is undergoing major transformational change that embraces review of processes cultural and behavioural change, increased standards of delivery etc.

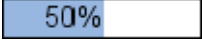

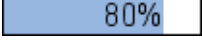



<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		
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Description	Assigned To	Due Date	Latest Note		
Delivery of the Wyre Forest Forward Programme likely to be even more challenging given the growth in the target savings assumed in the approved budget requiring £2m further savings in the next 2 years	Tracey Southall	31-Mar-2016	Total savings now achieved for 14/15 is 69%	<div style="width: 69%;"><div style="width: 69%;"></div></div> 69%	
Make Good Development Happen Review	ESO Executive Support Team; John Baggott; Mike Parker	31-Mar-2014	Consultation complete implementation commenced 9th June.	<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	
Successful implementation of Individual Electronic Registration as per the comprehensive project plan detailing the preparation, delivery and roll out.	ESO Executive Support Team; Alison Braithwaite	30-Jun-2015	AB: Local Data Matching has been completed with 92.5% of the electorate being automatically re-registered. Letters have been sent to all of the electorate advising whether they have matched or not and what to do if they haven't.	<div style="width: 55%;"><div style="width: 55%;"></div></div> 55%	
Apply systems thinking methodology to the purposeful system of 'Help me make good financial and budgeting decisions'	Tracey Southall	31-Oct-2014	Intervention progressing well. Trials for purchase to pay are being undertaken within the Housing team and at the depot with further trials planned. Redesign of reports in liaison with service managers continues to progress to timetable. The review of purpose/success criteria is also being worked on together with a Road Map to set out timescales and actions for implementation of recommendations.	<div style="width: 27%;"><div style="width: 27%;"></div></div> 27%	
Apply systems thinking methodology to the purposeful system of 'Help me make good staffing decisions'	Ian Miller	31-Mar-2015	Review scheduled to start October 2014.	<div style="width: 0%;"><div style="width: 0%;"></div></div> 0%	

CORPRISK03









**Unable to improve the economic prosperity of the district.** Lack of vitality in the local economy - although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy. The Council is now in it's third year of the State of the Area Programme which includes a number of projects to assist in the stimulation of economic recovery. The Council as part of the North Worcestershire Economic Development and Regeneration Service it is part of two local enterprise partnerships and continues to maximise the benefit of that position. The Business Rates Retention Scheme introduced in 2013/14 increases the incentive to promote growth as there is significant financial risk to this Council of we are unable to sustain the baseline level of the business rates reflected in government projections. Membership of the Worcestershire Business Rates Pool can only mitigate this risk to a certain extent and economic growth is key to the future financial sustainability of the Council.

<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>			
	Likelihood Impact		Likelihood Impact		Likelihood Impact		

	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	Bewdley Medical Centre	ESO Executive Support Team; Mike Parker	31-Dec-2015	Director of EPP and Operational Manager met with Cabinet Member for Operational Services on 3rd September to consider feasibility and timing of additional car park works in advance of medical centre development taking place; Operational Manager to meet with Council's term maintenance contractor, Snape, to discuss programme with a view to ensuring that additional spaces at Dog Lane are provided before new development commences		
	Crown House	ESO Executive Support Team; Mike Parker	31-Dec-2014	Principles of Development Agreement agreed at August meeting. Next meeting scheduled for 19th September to finalise before instructing Legal.		
	Kidderminster Town Centre Public Realm Framework	ESO Executive Support Team; Mike Parker	31-Mar-2015	Stage 2 Safety Audit completed, no major issues. Member drop in session to inspect final plans on 8th		



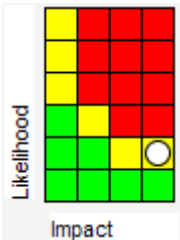
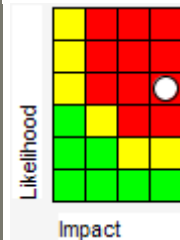
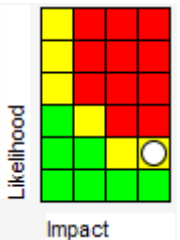

## Agenda Item No. 8 Appendix 1

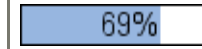

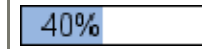

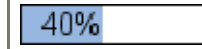

			September. Next steps to finalise specification and tender documentation in progress.		
Delivery of Hoobrook Link Road	ESO Executive Support Team; Mike Parker	31-Dec-2015	Works being led by WCC still on target.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; top: -10px; left: 50%; transform: translate(-50%, -50%);">75%</span> </div>	
Redevelopment of former Lloyds Garage site and adjoining land (STC.4)	Mike Parker	31-Dec-2016	Car park open. Awaiting response from Canal & Rivers Trust with regard to viability of H2O development.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; top: -10px; left: 50%; transform: translate(-50%, -50%);">50%</span> </div>	
Regeneration of Bromsgrove Street area of Kidderminster to support town centre viability	Mike Parker	31-Dec-2016	Wider options to include Worcester Street in eastern gateway being investigated.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; top: -10px; left: 50%; transform: translate(-50%, -50%);">20%</span> </div>	
50K to be spent on level 3 apprenticeships	Mike Parker; Dean Piper	31-Mar-2015	Three apprenticeships agreed, seven in process of agreements being completed. This will exhaust the programme for 2014/15.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; top: -10px; left: 50%; transform: translate(-50%, -50%);">60%</span> </div>	
10 candidates to have attended the Self Employment Training Module	Mike Parker; Dean Piper	31-Mar-2015	Ten participants undertaking training, two currently trading in catering/fine dining and art, two have taken up employment and remainder still undertaking training.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; top: -10px; left: 50%; transform: translate(-50%, -50%);">60%</span> </div>	
130 learners to complete Level 1 Employment Qualification	Mike Parker; Dean Piper	31-Mar-2016	Following initial launch 9 employers committed to supporting work experience with Vestia Job Coach following up 7 potential employment opportunity leads. Since commencement of programme 5 learners have completed and 7 currently on programme. On Your Marks pilot (with JC+) has 4 learners completing and 7 currently on course.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; top: -10px; left: 50%; transform: translate(-50%, -50%);">25%</span> </div>	
Incubator units in the Wyre Forest area including the Civic Centre and the operation of SPACE	Mike Parker; Dean Piper	31-Mar-2015	Following completion of ceiling works further units in course of being let; high expectations of full occupation being achieved.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; top: -10px; left: 50%; transform: translate(-50%, -50%);">80%</span> </div>	
Business Rates Retention Scheme	Mike Parker; Tracey Southall	31-Mar-2015	AMTEK occupation of former Lawrence's site is good news for the business rates pool.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; top: -10px; left: 50%; transform: translate(-50%, -50%);">40%</span> </div>	

**CORPRISK04** **Unable to deliver good quality, affordable homes.** The need for good quality, decent and affordable homes in the district is increasing but supply relative to demand in decreasing.







<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>			
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	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	Continue to implement actions from the Housing Strategy	Kate Bailey; Paul Curry	31-Mar-2015	Completed actions; <ul style="list-style-type: none"> <li>· Goal 1.2.a around updating the allocations policy</li> <li>· Goal 1.6.a developed a new hospital discharge protocol with the two acute hospitals in the county</li> <li>· Goal 2.5. completed the monitoring update for the Strategic Housing Needs Assessment for 2013</li> <li>· Goal 2.4.b. completed a Gypsy and Traveller needs assessment</li> </ul> Actions underway; <ul style="list-style-type: none"> <li>· Goal 3.1.c Recommissioning the HIA underway</li> <li>· Goal 4 1a and 3a Recommissioning Future Lives funded services underway</li> </ul>	25%	

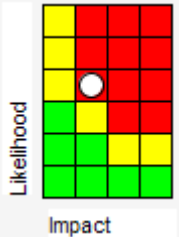
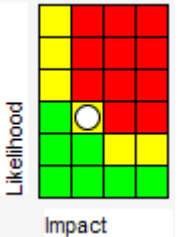

CORPRISK05	<p><b>Unable to deliver a sustainable budget for the long term.</b> Although the 2014/17 Medium Term Financial Strategy projects a much lower level of reserves being used over the next 3 years, the success of this strategy is reliant on the delivery of significant savings of over £2m between now and 2017. This ambitious programme of savings must be carefully managed by the Leadership team (officers and members) and achieved regardless of any change in the local political balance. Continuing risks around the Business Rates Retention Scheme and the potential for the imposition of further reductions/cessation in Government funding streams given the 2015 General Election, including New Homes Bonus, represent significant corporate financial risk. Business Rates growth and the risk of Appeals resulting in lower Business Rates yield is also an important funding element of the budget and represents a key risk to future sustainability. This is closely allied to Corporate Risk 03.</p>						
	<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		
		Likelihood		Likelihood		Likelihood	
		Impact		Impact		Impact	



	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	Delivery of the Wyre Forest Forward Programme likely to be even more challenging given the growth in the target savings assumed in the approved budget requiring £2m further savings in the next 2 years	Tracey Southall	31-Mar-2016	Total savings now achieved for 14/15 are 69%		
	To participate in the Wyre Forest Forward drive for efficiency savings and to monitor and report these to Cabinet on a quarterly basis, CLT/Cabinet on a monthly basis, continuing to develop the now more complete and informative templates.	Tracey Southall	31-Mar-2015	Q1 Budget Monitoring Cabinet Report includes an update on efficiency savings. 60% achieved for 14/15 as at Q1. Now 69% following Star Chamber exercise.		
	To conduct a review of the major contracts currently in place with external organisations and partners to secure savings of £25k in 2013/14, rising to 50k thereafter. These savings are in addition to the £50k savings pa embedded in the base budget.	Tracey Southall	31-Mar-2015	Review of major contracts has not generated savings, however, general procurement activities can meet this target.		

## Agenda Item No. 8 Appendix 1

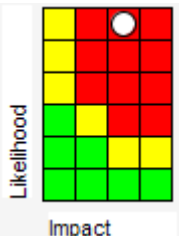
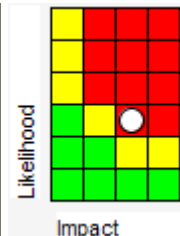
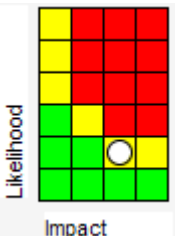

	<p>Prepare budgets in accordance with all legislative requirements and the Council's Finance Strategy, taking into account the significant changes in the funding regime, increased risk and diminishing reserves available and reduced capacity following management restructure.</p>	Tracey Southall	31-Mar-2015	Pay budgets are complete and base budgets progressing very well.	<div style="border: 1px solid black; width: 80px; height: 15px; background-color: #4F81BD; margin: 0 auto;">25%</div>	
	<p>Local Council Tax Discount now requires approximately 5000 Customers to pay at least 8.5% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention Scheme now requires Local Authorities to focus on Business Rate collection as there is now a threshold for each LA to meet to avoid further financial pressure. This will also be the mechanism to fund the Council Tax Discount.</p>	Ian Miller	31-Mar-2015	Customers required to pay 10% of their liability from April 2014. Percentage collection rates slightly down on 2013/14 including impact of 12 monthly instalments for business rates.	<div style="border: 1px solid black; width: 80px; height: 15px; background-color: #4F81BD; margin: 0 auto;">20%</div>	
	<p>Municipal Mutual Insurance Clawback - Budget Pressure</p>	ESO Executive Support Team; Tracey Southall	31-Mar-2015	Due date changed as initial provision made to MMI but advised a further payment may be requested.	<div style="border: 1px solid black; width: 80px; height: 15px; background-color: #4F81BD; margin: 0 auto;">70%</div>	
	<p>Rationalisation of current provision to provide sustainable future leisure centre</p>	ESO Executive Support Team; Linda Collis	31-Jul-2016	All as per previous note, completed on the purchase of Silverwoods site on 1st July 2014. Sport England application will be determined in November 2014. Tender documents will be evaluated after receipt on 19th September and contract issued in November.	<div style="border: 1px solid black; width: 80px; height: 15px; background-color: #4F81BD; margin: 0 auto;">45%</div>	
	<p>Successful implementation of Individual Electronic Registration as per the comprehensive project plan detailing the preparation, delivery and roll out.</p>	ESO Executive Support Team; Alison Braithwaite	30-Jun-2015	AB: Local Data Matching has been completed with 92.5% of the electorate being automatically re-registered. Letters have been sent to all of the electorate advising whether they have matched or not and what to do if they haven't.	<div style="border: 1px solid black; width: 80px; height: 15px; background-color: #4F81BD; margin: 0 auto;">55%</div>	
	<p>Business Rates Retention Scheme</p>	Mike Parker; Tracey Southall	31-Mar-2015	AMTEK occupation of former Lawrence's site is good news for the business rates pool.	<div style="border: 1px solid black; width: 80px; height: 15px; background-color: #4F81BD; margin: 0 auto;">40%</div>	


**CORPRISK06** Council 'misses' important issues and/ or is in breach of a requirement. The Council is a small organisation but it is still expected to respond to, and comply with, new legislation, strategies, audit requirements etc.

Original Matrix		Current Risk Matrix		Target Risk Matrix			
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Description	Assigned To	Due Date	Latest Note			
<b>Linked Action</b>	Support and advise on major strategic projects to ensure sound and robust arrangements.	Jane Alexander	31-Mar-2015	This is a 12 month target. Progress reflects the number of months that have elapsed for the year 14/15	<div style="border: 1px solid black; width: 80px; height: 20px; background-color: #add8e6; display: inline-block; margin-right: 5px;"></div> 25%	
	Successful implementation of Individual Electronic Registration as per the comprehensive project plan detailing the preparation, delivery and roll out.	ESO Executive Support Team; Alison Braithwaite	30-Jun-2015	AB: Local Data Matching has been completed with 92.5% of the electorate being automatically re-registered. Letters have been sent to all of the electorate advising whether they have matched or not and what to do if they haven't.	<div style="border: 1px solid black; width: 80px; height: 20px; background-color: #add8e6; display: inline-block; margin-right: 5px;"></div> 55%	

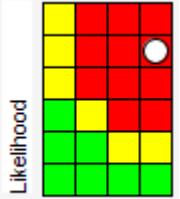
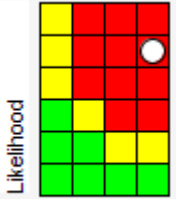
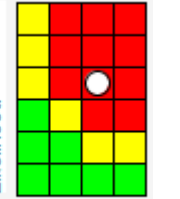

**CORPRISK07** **Implementation of New ICT Strategy.** There continues to be significant investment in the development of technology at the Council. A new ICT Strategy was agreed in 2013/14 and this is in the process of being implemented across the authority. The new website has been implemented and the focus continues to be on, supporting the move to greater self-service by customers, ensuring continued PSN compliance, update systems to ensure best value / efficiencies and refresh Server / Storage platform to deliver ICT services / and systems over the Medium Term Financial Strategy.



Original Matrix		Current Risk Matrix		Target Risk Matrix		Dave Johnson	
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	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	Continue to deliver the ICT Strategy and achieve agreed efficiency savings of £108,650 by March 2015	Dave Johnson	31-Mar-2015	Progression of ICT Strategy on target. Circa £98k of savings achieved.	<div style="border: 1px solid black; padding: 2px;">24%</div>	

CORPRISK08

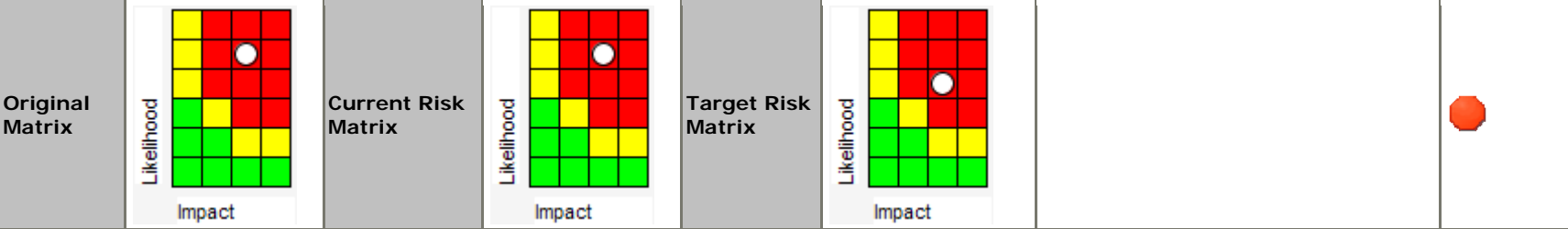
**Not able to maintain a skilled and motivated workforce.** Against the background of a move away from the National Pay Agreement, locally agreed low pay increases and other changes to conditions the Council needs to continue to maintain a workforce with adequate capacity, skills, experience and motivation – so still being seen by staff as a good employer. The restructure following the move to the Wyre Forest House has provided slimmer management structures and more devolution of responsibility which should assist in motivation and retention of the workforce, alongside rolling out a management development programme.

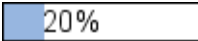

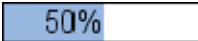

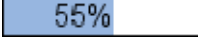

<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>			
	Likelihood Impact		Likelihood Impact		Likelihood Impact		

	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	Develop a Wyre Forest Management Development Programme and re establish training and development budget.	Rachael Simpson	31-Mar-2015	July 2014 - Learning and Development Plan developed which includes Management and Leadership, Health and Safety and Business as usual Training	<div style="border: 1px solid black; padding: 2px;">50%</div>	
	Develop initiatives to support any workforce through organisational change including involvement of staff through suggestion scheme and System Thinking.	Rachael Simpson	31-Mar-2015	Senior HR Advisors continue to meet on a bi-monthly basis with WF20 managers	<div style="border: 1px solid black; padding: 2px;">50%</div>	

CORPRISK09

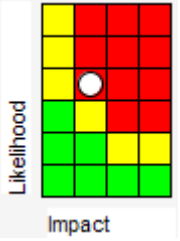
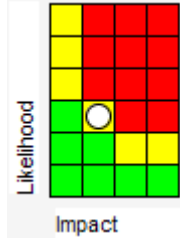
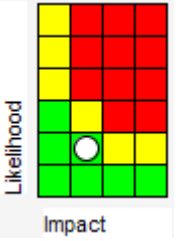

**Capacity to do everything is insufficient.** A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, review of partnerships. The Management/CLT Review, together with the prospect of further restructuring, the pace of change and need to continue to deliver key projects, represent a significant resourcing risk over the next 12 months. This leads to concerns that there will be insufficient capacity to deliver the Wyre Forest Forward Savings and the ability to provide effective leadership for the management of the Council, following the review of the CLT structure, planned to be implemented from April 2015.








	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	Ensure resources are monitored and managed to protect capacity issues when the Accountancy/Planning Systems Interventions take Place.	Ian Miller	31-Mar-2015	Reviews of financial processes are now underway and resources are being managed to ensure minimal impact on ongoing work.		
	Ensure involvement of appropriate staff from both within and outside WF20 onto projects to spread resourcing and maximise the opportunities for success.	Ian Miller	31-Mar-2015	This is being achieved.		
	Successful implementation of Individual Electronic Registration as per the comprehensive project plan detailing the preparation, delivery and roll out.	ESO Executive Support Team; Alison Braithwaite	30-Jun-2015	AB: Local Data Matching has been completed with 92.5% of the electorate being automatically re-registered. Letters have been sent to all of the electorate advising whether they have matched or not and what to do if they haven't.		

CORPRISK10

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

<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>			
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	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	To continue to proactively implement the Council's Reputation Management Plan. To review on a monthly basis.	Jane Doyle; Suzanne Johnston-Hubbold	31-Mar-2015	Ongoing. Work programme regularly reviewed and updated.	<div style="width: 50%;"><div style="background-color: #4f81bd; height: 10px;"></div></div> 50%	
	Employee and Member Engagement	Jane Doyle; Suzanne Johnston-Hubbold	31-Mar-2015	Ongoing as part of the Wyre Forest Forward Programme. Transformation stories and Wyre Forest Forward Programme update now feature in each edition of Wyred Weekly.	<div style="width: 50%;"><div style="background-color: #4f81bd; height: 10px;"></div></div> 50%	
	Make Good Development Happen Review	ESO Executive Support Team; John Baggott; Mike Parker	31-Mar-2014	Consultation complete implementation commenced 9th June.	<div style="width: 100%;"><div style="background-color: #4f81bd; height: 10px;"></div></div> 100%	
	Apply systems thinking methodology to the purposeful system of 'Help me make good financial and budgeting decisions'	Tracey Southall	31-Oct-2014	Intervention progressing well. Trials for purchase to pay are being undertaken within the Housing team and at the depot with further trials planned. Redesign of reports in liaison with service managers continues to progress to timetable. The review of purpose/success criteria is also being worked on together with a Road Map to set out timescales and actions for implementation of recommendations.	<div style="width: 27%;"><div style="background-color: #4f81bd; height: 10px;"></div></div> 27%	
	Apply systems thinking methodology to the purposeful system of 'Help me make good staffing decisions'	Ian Miller	31-Mar-2015	Review scheduled to start October 2014.	<div style="width: 0%;"><div style="background-color: #4f81bd; height: 10px;"></div></div> 0%	



**CORPRISK11** **Member skills and/or competencies could be inadequate.** All political groups sometimes struggle to find suitable candidates to stand. This may be alleviated to a degree by the reduction in size of the Council in 2015. Member training takes place but is not universally attended. Increased pressure on members to develop specialist roles and devote more time.




Original Matrix		Current Risk Matrix		Target Risk Matrix			
	Likelihood		Likelihood		Likelihood		
	Impact		Impact		Impact		

	Description	Assigned To	Due Date	Latest Note		
Linked Action	Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward.	Alison Braithwaite	31-Mar-2015	AB: Ian Miller, Chief Executive provided Members with an update on the council's Transformation Programme at the Members' Forum on 17 July. Members will be invited to visit the various system thinking interventions during September 2014.	<input type="text" value="50%"/>	
	Member Training	Alison Braithwaite	31-Mar-2015	AB: Member feedback on recent training sessions is currently being reviewed.	<input type="text" value="50%"/>	

**CORPRISK12** **Unable to ensure a secure network which would make ICT vulnerable to attacks and threats.** The Council has successfully achieved PSN compliance but this needs to be managed and maintained. ICT to regularly review and assess threats and impacts on the network and generate a formal risk/incident log and any remedial account required or acceptance of residual risk by the organisation where judged appropriate.

Original Matrix		Current Risk Matrix		Target Risk Matrix		Dave Johnson	
	Likelihood		Likelihood		Likelihood		
	Impact		Impact		Impact		

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Linked Action	Description	Assigned To	Due Date	Latest Note		
	Cessation of unmanaged end user devices	ESO Executive Support Team; Dave Johnson	28-Feb-2015	Plans in place to remove un-manged devices and roll out hardware certificates and two factor authentication to those user that don't already have it	30%	
	Monitor OS support and upgrade accordingly for example XP to Windows	ESO Executive Support Team; Dave Johnson	31-Jul-2014	Majority of PC's have been swapped out including Green Street that was done W/C 16th June. Approximately a dozen PC still need to be upgrade, these have generally been left until the end due to specialist hardware / software. Members ICT provision i.e. provision of laptops/ tablets / smartphones is ongoing following Group Leaders briefing paper in May.	80%	
	Quarterly review of network security	Dave Johnson	31-Mar-2015	Review of anti virus undertaken in August with action plan in place. Another review planned later in the year after new SAN / Virtual servers have been implemented. Email filtering has been reviewed and is currently being upgraded. Web filtering currently under review. Last year the ICT section implemented Microsoft's System Centre Configuration Manager to ensure security patches are applied to and the council remains PSN compliant. Approximately 100 of the councils 120 servers are being patched and rebooted on a 4 weekly cycle, the remaining servers which are mainly large business critical systems with multiple servers and dependencies are currently being updated manually, but it is our intention to automate these in due course. Briefing report going to September meeting of ICT Strategy board. SAN and storage requirements reviewed earlier in the year. Tender to replace SAN, Virtual servers, backup and upgrade associated software nearing completion.	35%	

**CORPRISK13** **Unable to deliver satisfactory services through Shared Service arrangements.** The Council is partner in a number of Shared Services - Worcestershire Regulatory Services, Emergency Planning, Water Management, Payroll, Building Control, Economic Development and Regeneration - and is either host to the Shared Service or a partner in receipt of a service.

<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>			
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	Description	Assigned To	Due Date	Latest Note		
<b>Linked Action</b>	Prepare budgets in accordance with all legislative requirements and the Council's Finance Strategy, taking into account the significant changes in the funding regime, increased risk and diminishing reserves available and reduced capacity following management restructure.	Tracey Southall	31-Mar-2015	Pay budgets are complete and base budgets progressing very well.	<div style="border: 1px solid black; width: 80px; height: 20px; background-color: #add8e6; display: flex; align-items: center; justify-content: center;">25%</div>	
	To ensure that appropriate membership and attendance on the Shared Services governance arrangements is in place.	Mike Parker	31-Mar-2015	Membership of the WRS Joint Committee is in place, supported by attendance at the WRS Management Board by the Director of EPP. Client Management Group (CMG) meetings are arranged on a quarterly basis for all North Worcestershire Shared Services.	<div style="border: 1px solid black; width: 80px; height: 20px; background-color: #add8e6; display: flex; align-items: center; justify-content: center;">25%</div>	