

Open

Audit Committee

Agenda

6pm
Monday, 1st December 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 L Hyde
Councillor M B Kelly	Councillor J W Parish
Councillor J Phillips	Councillor C Rogers

Information for Members of the Public:

Part I of the Agenda includes items for discussion in public. You have the right to request to inspect copies of Minutes and reports on this Agenda as well as the background documents used in the preparation of these reports.

Part II of the Agenda (if applicable) deals with items of "Exempt Information" for which it is anticipated that the public may be excluded from the meeting and neither reports nor background papers are open to public inspection.

There are particular circumstances when the Ethics and Standards Committee may exclude the public, which are in addition to those available at meetings of the Council, its Cabinet and Committees etc. These apply when the Ethics and Standards Committee considers the following:

Information relating to a particular chief officer, former chief officer or applicant to become a chief officer of a local probation board within the meaning of the Criminal Justice and Court Services Act 2000.

Information which is subject to any obligation of confidentiality.

Information which relates in any way to matters concerning national security.

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

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

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

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

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

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

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

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

For further information:

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

Wyre Forest District Council

Audit Committee

Monday, 1st December 2014

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 29 th September 2014.	6
5.	Audit Update To receive the Audit Update from Grant Thornton.	9
6.	Annual Audit Letter and Audit Opinion To receive the Annual Audit Letter and Audit Opinion from Grant Thornton.	18
7.	Internal Audit Monitoring Report Quarter Ended 30th September 2014 To receive a report from the Principal Auditor that informs Members of the Internal Audit Monitoring Report for the quarter ended 30 th September 2014.	27

8.	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.	
9.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

11.	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.	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER

29TH SEPTEMBER 2014 (6PM)

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: P W Wooldridge and M J Wrench.

AUD.12 Apologies for Absence

There were no apologies for absence

AUD.12 Appointment of Substitutes

There were no appointed substitutes.

AUD.14 Declarations of Interests by Members

No declarations of interest were made.

AUD.15 Minutes

Agreed: The minutes of the meeting held on 30th June 2014 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.16 Audit Findings Report for Wyre Forest District Council – Report 2013/14 Final Account

The Committee received a report from Grant Thornton detailing the findings of the audit of accounts for 2013/14.

Members were taken through the report and advised that the audit had gone well and Officers were thanked for their contribution and help. There was one minor area to report which was a slight understatement of income for housing benefit but this was not an area for concern.

In response to a Member question regarding the large number of users who had access as a system administrator for ICT, Grant Thornton had recommended a review of this in 12 months time but this had been benchmarked against other councils.

Members queried why the Key indicators of performance in the Value for Money was only adequate. Grant Thornton advised that it was audit terminology and there was nothing to be concerned about. In addition, the £1.5m of reserves referred to increasing revenue reserves.

Agreed: The report be noted.

AUD.17 Statement of Accounts 2013/14

The Committee received a report from the Chief Financial Officer on the Statement of Accounts 2013/14.

Members were taken through the report and advised that the full Final Statement of Accounts for 2013/14 had been sent electronically to all Members but a hard copy would be made available if Members wished to have one.

In response to a Member query regarding the contribution to reserves of £127K, the Chief Financial Officer replied that during the reconciliation of accounts it was found that additional housing benefits debtors had been recovered.

Members were also informed that the Council had received £62K from Bellwin Grant in respect of the flooding suffered during the first few months of 2014. The Council had also made a provision for NNDR Appeals in case any appeals be received as this was an unknown quantity.

Members attention was drawn to the movement in reserves and the comprehensive income statement in the full Statement of Accounts.

Members were advised that the heritage assets included artefacts and the clock tower, a list was available that could be circulated to Members.

In response to a Member question, Members were informed that the loans the Council had taken out were in respect of borrowing requirements for the new cemetery, the State of Area Debate and also replacement of vehicles.

Agreed:

- 1. The Revised Statement of Accounts for 2013/14 be approved.**
- 2. The Letter of Representation for 2013/14 attached at Appendix 1 of the report to the Audit Committee be approved.**

AUD.18 Internal Audit Monitoring Report Quarter Ending 30th June 2014

The Committee received a report from the Section 151 Officer /Principal Auditor which informed Members of the Internal Monitoring Report for the quarter ended 30th June 2014.

Members were taken through the report and the Principal Auditor highlighted reports which had been finalised in the quarter, all of which had achieve “full” or “some” assurance. Members attention was drawn to Section 4 – follow up

reviews in that there were no recommendations implemented for Corporate Creditors as these now formed part of the Finance Intervention which commenced in April 2014 and would be reviewed as part of this.

With regard to the audit consultancy a member asked about the debtors query and were advised that bi monthly invoices were raised for rent and utilities but Bewdley Museum also had a profit sharing scenario with the Cafe where they would invoice at year end.

Agreed: The Internal Audit Monitoring Report for the Quarter ended 30th June 2014 as detailed in the Appendix to the report of the Audit Committee be considered.

AUD.19 Risk Management – Corporate Risk Register

The Committee received a report from the Chief Financial Officer which provided an update on the Corporate Risk Register.

Members were taken through the report and the following points were highlighted:

- a. CORPRISK01 – The Council paid a subscription to the LGA but it was perceived if the Council were in the position of a “hung” Council, then any extra costs would be kept to the lowest level possible together with any advice needed.
- b. CORPRISK05 – Members would be updated regularly regarding the budget and updates would be given at the Cabinet Financial Strategy Advisory Panel.
- c. CORPRISK11 – A Member queried training for Members and asked for Chairmanship skills to be arranged. The Chief Financial Officer agreed to follow this up.

Following a request at the last Audit Committee meeting asking for service managers to attend the meeting, the Chief Financial Officer reported that she had spoken to the Chief Internal Auditor at Worcestershire County Council to go through their practices and procedures and they appeared to be similar to the Council’s. They only called upon managers to attend the meetings if there were serious concerns on the risk register.

Agreed:

- 1. The Corporate Risk Register and the associated mitigating actions as at 31st July 2014 be considered and noted.**
- 2. The Chief Financial Officer to follow up Chairmanship training for Members.**

The meeting ended at 18.52 pm.



Wyre Forest District Council Audit Committee Update

Year ended 31 March 2015

November 2014

Mark Stocks

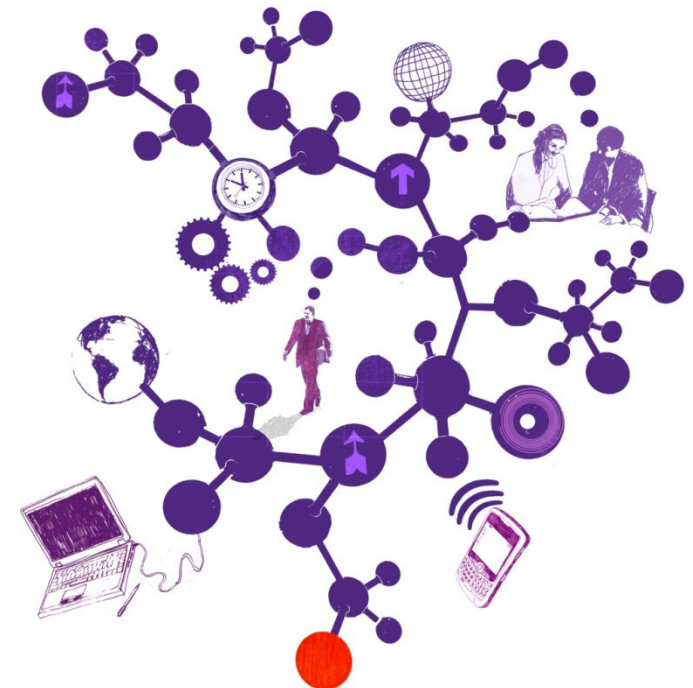
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

Introduction

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

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

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

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

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

Progress at November 2014

Work	Planned date	Complete?	Comments
2013/14 audit	September 2014	Yes	Our audit for 2013/14 is complete and we have issued our Annual Audit Letter to the Council.
2013/14 Housing and Council Tax Benefits audit	November 2014	No	Our work to support the certification of the Council's Housing Benefit Subsidy Claim is on-going. We are on track to complete our work by the certification deadline of 28 November.
2014/15 audit	February 2015	No	We will begin our initial planning of the 2014/15 audit before Christmas and agree a timetable for the audit with officers.

CIPFA LAAP updates

Accounting and audit issues

CIPFA have issued the following LAAP Bulletins:

- [LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.
- [LAAP bulletin 100](#) Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 – provides an outline project plan to help authorities looking to develop their own project plans for the implementation of the 2016/17 Code requirements for accounting for infrastructure assets.

Challenge questions

- Has the Council reviewed the guidance and assessed the potential impact for your authority?

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from Mark Stocks or Mark SurrIDGE.

Where Growth Happens

Grant Thornton

Our national report 'Where Growth Happens' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Where-growth-happens-The-high-growth-index-of-places/>

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assesses the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from Mark Stocks or Mark Surridge.

Audit Commission Fraud Briefing

Local government guidance

On 14 November the Audit Commission issued its annual fraud briefings to auditors.

These briefings are issued for each local authority. The objectives of the bulletins are to:

- Provide an information source to support councillors in considering their council's fraud detection activities
- Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed
- Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

The briefings provide comparative information relating to the overall detection and value of fraud, the level of housing and council tax benefit fraud, council tax discount fraud, housing tenancy fraud, procurement, insurance, economic regeneration and internal fraud.

We issued the Council with its report on 14 November and this is currently being considered by officers.

Challenge questions

- What actions will the Council take in response to the fraud briefing to ensure it has appropriate anti-fraud arrangements in place?



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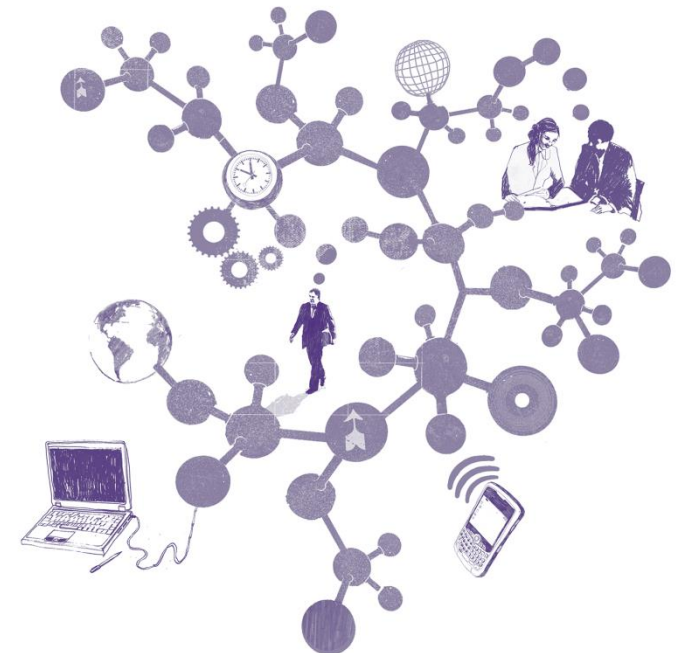
The Annual Audit Letter for Wyre Forest District Council

Year ended 31 March 2014

October 2014

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A Summary of reports and audit fees	

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.

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Wyre Forest District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Summary of audit findings

Audit area	Key findings
<p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 September 2014 to the Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • the Council's arrangements to prepare the financial statements ensured the draft accounts and supporting working papers were, once again, of a good quality • the financial statements were adjusted to bring forward £162k of housing benefit income to the 2013/14 financial year from 2014/15 • we also identified a small number of adjustments to improve the presentation of the financial statements. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<p>Value for Money (VfM) conclusion</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014. 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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>

Key messages

Summary of audit findings

Audit area	Key findings
Whole of Government Accounts	We reviewed the consolidation pack prepared by the Council to support the production of the Government's Whole of Government Accounts. In line with our instructions, we reported that the Council was below the audit threshold level set by the National Audit Office and reviewed the worksheets specified for bodies below that audit threshold (£350million). We confirmed that the closing figures for Property, plant & equipment and Pensions liabilities in the consolidation pack were consistent with those in the Council's financial statements on 29 September 2014 in advance of the deadline.
Certification of grant claims and returns	Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The indicative fee for this work remains £9,000 and will be confirmed alongside the detailed findings of our work in our Grant Certification report, due for presentation to the Audit Committee upon completion of our work.
Audit fee	Our fee for 2013/14 was £65,248 compared with the planned fee of £64,348. Further detail is included at Appendix A.
Certificate	We issued our audit certificate, confirming the 2013/14 audit is closed, on 29 September 2014.

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services

Fees

	Per Audit plan £	Actual fees £
Audit Fee	64,348	65,248
Grant certification fee (estimated)	9,000	9,000
Total fees	73,348	74,248

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 NDR3 claims.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Month issued
Audit Plan	March 2014
Informing the Audit Risk Assessment	March 2014
Audit Findings Report	September 2014
Annual Audit Letter	October 2014
Certification Report	December 2014 (planned)



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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 the Collection Fund Account 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
29 September 2014

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
1st DECEMBER 2014**Internal Audit Monitoring Report**
Quarter Ended 30th September 2014

OPEN	
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Internal Audit Monitoring Report for the Quarter ended 30 th September 2014

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30th September 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 30th September 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 **Follow up** reviews undertaken in the quarter (cyclical)
Incorporating Recommendations in progress
- Section 2 **Final** internal audit reports issued in the quarter
- 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 potentially 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 Standards¹. 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.”

¹ 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 30th September 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 24th March 2014 ~ Audit Committee ~ Internal Audit Annual Audit Plan 2014~15.
24th March 2014 ~ Audit Committee ~ Internal Audit Charter.
12th March 2012 ~ Audit Committee ~ Strategic Audit Plan 2012~2015.
Accounts and Audit (England) Regulations 2011 (SI 817).

INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
30th SEPTEMBER 2014**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 30TH SEPTEMBER 2014

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Cheryl Ellerton
PRINCIPAL AUDITOR

Tracey Southall
SECTION 151 OFFICER

13th November 2014

SECTION 1

Quarter Report to the 30th September 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	
CYCLICAL SYSTEM REVIEWS							
Value Added Tax 2013~14	K	S	1	1	-	-	-

Agenda Item No. 7

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30 th SEPTEMBER 2014		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems		
2013~14 Housing Benefits Reconciliation Procedure {Overpayments}	S	35
2013~14 Council Tax Reconciliation Procedures {Including Gross Debit}	S	36
2013~14 Payroll Audit {HR Establishment Database Reconciliation}	S	37
2013~14 Staff Record Forms {Extracted from HR Establishment}	F	-

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
F = Full	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.
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.
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.
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.

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AUDIT REPORT TITLE: Housing Benefits Reconciliation 2013-14 {Overpayments} BUDGET: Revised Benefit Payments £31,979,360 2013-14 REF: A280	ACTION PLANS: Verbal Progress Meetings 13/14: 25.06/05.07/19.12.13 & 03.01/20.01.14/17.03.14 INTERIM REPORT DATE ISSUED: 14th October 2014	SERVICE: Chief Executive Revenues & Benefits (Housing Benefits & Accountancy)
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------

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 formed part of the annual assurance reviews undertaken as part of the annual internal audit plan 2013~14. The review was undertaken to ensure that the Benefit payments raised via the IBS Civica System and the Benefits Debtors overpayments are reconciled to the Agresso Financial Management System, Radius Cash Receipting System, and those payments direct to the Council's Bank account. The review also ensured that Benefit Overpayment Arrears are independently monitored and that the preparations of the initial and mid-term claims were completed in accordance with statutory requirements.

Following the 2012~13 audit review, and the detailed assessment of the reconciliation processes in place within the Benefits Control Team and the Accountancy Team, it was identified that some of the processes were being duplicated. As agreed, the working practices were reviewed during 2013~14. Working with both the Benefits System Team and Accountancy Team, areas were identified, where system changes could enhance and improve the reconciliation process. During the financial year 2013~14, it was deemed that as 'ownership' of the Civica system is Revenues & Benefits the reconciliation is undertaken by the Benefits Systems Team, independently reconciling their system to the Financial Ledger (Agresso) and all income payment streams. Throughout the year Internal Audit worked closely with the Benefits Systems Team developing revised processes for the reconciliation. A significant amount of resource has been dedicated to reviewing the reconciliations which have been completed up to and including March 2014 sighted by Internal Audit (June 2014). At the year end there was minor difference in respect of payments received via the Radius Cash Receipting system and the Financial Ledger which in view of the total value of benefit payments for 2013~14 is not of a material nature. The payments received direct through the bank were agreed and balanced.

Subsequently discussions have been held with the Accountancy Team and further enhancements to the reconciliation process have been identified following the change in the procedure offsetting a customers overpaid Council Tax against any outstanding benefit overpayment. The audit review identified that the transfers whilst being actioned correctly within the customer accounts on the IBS Civica Revenues System were not being reflected within the Agresso Financial Management System. These changes will be put in place for 2014-2015. This is still work in progress and Internal Audit will continue to liaise closely with both the Benefits System Officer and the Accountancy Teams to ensure that the reconciliations are carried out in a timely manner and differences are investigated.

The Arrears monitoring process is undertaken regularly and actions taken evidenced. The data matching exercises are undertaken in line with DWP requirements and form part of the Audit Commissions National Fraud Initiative. Examination of the initial & mid-term claims confirmed they had been completed and returned within the required time frame and all supporting evidence had been retained on file.

Conclusion: On the basis of the work undertaken, the review has concluded that processes continue to be improved and refined to enable completion of the reconciliations to be undertaken by a Benefits System Officer as owners of the system which will support entries in the Final Accounts. Some additional work will be carried out in 2014-2015 mainly due to changes in cash collection into the Authority for which Internal Audit will work closely with both the Benefits System Team and the Accountancy Team.

The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place within the system for the reconciliation of the IBS Civica System (Benefits) to the Agresso Financial Management System for payments to claimants and/or recovery of overpaid Benefits are operating effectively within this key system.

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AUDIT REPORT TITLE: Council Tax Reconciliations 2013~14 BUDGET: £60,389,463 Gross Debit 2013~14 REF: P100	ACTION PLANS: 9th September 2013 (Gross Debit 2013~14) DRAFT REPORT DATE ISSUED: 15 th April 2014 (Quarter to 31.03.14) FINAL REPORT DATE ISSUED: 11 th October 2014 (Quarter to 30.09.14)	SERVICE: Chief Executives (Revenues) RESPONSE RECEIVED DATE: Revisited: 08.08.14
----------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------

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

Overview:

This Audit forms part of the annual assurance reviews undertaken as part of the annual internal audit plan 2013~14. The review was undertaken to ensure that there are regular reconciliations between the Council Tax (Civica – Open Revenues) system with the Agresso Financial Management System (FMS), the Radius Cash Receipting System, and to ensure that the Valuation Office Property Listings and that the Gross Debit reconciliation for 2013/2014 had been promptly undertaken. The review also concentrated on ensuring that there are adequate controls over the processes in place for the monitoring of Council Tax arrears & exceptions.

A detailed examination of the June 2013 reconciliations between the Civica (Council Tax system), the Agresso (Financial Management System) and Radius (Cash Receipting) systems was carried out to ensure the accuracy of the information recorded. Following this testing, it was noted that as previously recommended and agreed, although the June reconciliation had been duly signed off in August 2013 a small difference had been identified in respect of refunds awaiting action. A note had been recorded by the Principal Revenues Officer detailing actions pending. Further examination of the reconciliations from September and subsequent months however, had not been balanced as complete as at March 2014. Differences under investigation by the Principal Revenues Officer had been noted against each monthly reconciliation as previously recommended. The value of these differences were not detrimental to the collection of the council tax and evidence was sighted by Internal Audit of the Principal Revenues Officer workings to resolve the issues for the year end reconciliation..

Five Valuation Office reconciliations were assessed for May, August, September 2013 and January, February 2014; these reconciliations were found to have been undertaken in a timely manner and each had been independently reviewed with supporting documentation for all entries. The Gross Debit reconciliation for 2013/2014 had been appropriately completed and balanced prior to the start of the financial year. The parameters had been independently reviewed as part of the Gross Debit Calculation following Council approval. Arrears monitoring and exception reports had been regularly reviewed. Following this testing there were no matters arising.

Conclusion:

On the basis of the work undertaken, the overall conclusion is that **SOME** assurance can be given on the internal control processes in place for the reconciliation of Council Tax. It should be noted that currently the Revenues Section are undergoing a restructure following a change in key personnel. This change will involve process changes which will have major effects on the way the section work. The Revenues Team will continue to work with Internal Audit throughout this period of transition to ensure key controls are maintained.

AUDIT REPORT TITLE: Payroll Audit 2013-14 (HR Establishment Database Reconciliation)	DRAFT REPORT ISSUED: Meeting: 26.06.14 Updates: 27.06.14/15.07.14	SERVICE: Chief Executive ~ Human Resources Chief Executive ~ Accountancy (Establishment Check)
BUDGET: REF: VARIOUS	FINAL REPORT ISSUED: 31 st October 2014 (Q2 30.09.14)	RESPONSE RECEIVED: Meeting 26.06.14/Evidence 30.07.14/06.08.14

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 formed part of the annual reviews undertaken as part of the Annual Internal Audit Plan 2013-14. The review sought to ensure that there is a system in place for the independent reconciliation of the Establishment as approved by Directors to the CHRIS payroll computer application. Employee records maintained by Worcestershire County Council (WCC) Human Resources (HR) and Wyre Forest District Council Accountancy Team were examined as part of this testing. As previously reported a new self serve (HR21) payroll system is in development whereupon WCC HR will be responsible for updating the establishment (Starter, Leaver and Transfer) information into the personnel section of the CHRIS21 database for Wyre Forest District Council. This will automatically populate the payroll section of the same CHRIS21 system to ensure prompt and accurate payment to Employees and Members. Whilst it was anticipated that this would be in operation during 2012-13, this was still work in progress as at March 2014. The internal controls in respect of Staff Record Forms for Starters, Leavers and Transfers have been reviewed under a separate audit and has been reported accordingly. The Internal Audit check comprised a verification/reconciliation of:

Human Resources Database /Annual Accountancy Salary Estimates / CHRIS payroll system.
The HR Establishment database should be independently checked against both the Accountancy data collated annually and also the data extracted from the Payroll system (CHRIS21) with Directors required to sign off their Establishments as they stand at the financial year end. Testing was undertaken to ensure that all employees receiving a salary in March 2013 were bona fide and in an established post as authorised by the Corporate Management Team as at year end. For 2012-13 this had been completed by 24th May 2013 with supporting evidence provided to Internal Audit. However the database is not a complete listing of all posts within the authority and Human Resources are in the process of compiling a complete database to include all vacant posts to coincide with the development of the HR21 self serve application. This has not been completed for the financial year 2013/14. Internal Audit acknowledge and appreciate that it was intended for HR21 self serve to be live early 2014 with an up to date establishment database that would form part of the independent reconciliation back to the mid year exercise undertaken by Accountancy as part of the annual budget cycle. However, with the progression of the introduction of the HR21 project, this will provide a means to expedite the maintenance of the WFDC corporate establishment by the HR Team.

The Budget Salary Estimates file / CHRIS payroll system (Electronic Funds Transfer).
The Salary Estimates file is revised annually in accordance with the Pay Budget Timetable and confirmed correct by each Director for their relevant directorate at a point in time. The exercise is completed during late August/September each year to aid the setting of the annual budget. At the time of the audit review, all Directors had signed off their Establishments, although the Director of Community Well Being and Environment had only part signed off her directorate. Supporting evidence of the completed returns as signed off was sighted by Internal Audit. Detailed compliance testing was undertaken on the electronic funds transfer file (EFT) for the October 2013 salary. The EFT file details all payments made in a particular month to WFDC employees. Testing was undertaken to ensure that all employees receiving a salary in October 2013 were bona fide and that the employee (or post) was included within the Accountancy establishment spreadsheet for the 2013-14 Budget cycle. All WFDC employees as listed on the EFT were included in the salary estimate database maintained within Accountancy. Two employee posts had since been transferred between directorates for which evidence had been sighted by Internal Audit.

Conclusion:
The review concluded that there is a system for the reconciliation of the Wyre Forest District Council establishment between the Accountancy and payroll records, however the reconciliation between the Human Resources database and the Accountancy annual verification which requires the Corporate Leadership Team to sign off as a control, was not being carried out for 2013/14. The overall conclusion at the time of the audit review was that only **LIMITED** assurance could be given on the internal controls in place as at June 2014. However, following discussions with the Human Resources Manager and her team, an action plan was agreed to provide evidence of the reconciliation of establishment records held by HR to both the results from the annual exercise undertaken by Accountancy and the payroll records held on the payroll system. The initial evidence was sighted by Internal Audit in August 2014 with a verification of data provided to close off the 2013/14 audit and which will form the basis for the 2014/15 annual assurance review encompassing the independent reconciliation of Establishment Database maintained by the HR Team. In view of the agreed actions, the level of assurance can be raised to **SOME** on the understanding that a full Establishment Database will be maintained and independently reconciled by the HR Manager and her team as at 31st March 2015.

SECTION 3

Quarter Report to the 30th September 2014

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30TH SEPTEMBER 2014		
REPORTS ISSUED AFTER 30TH SEPTEMBER 2014 FINALISING 2013~14 INTERNAL AUDIT ANNUAL PLAN		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
<u>CORE FINANCIAL SYSTEMS</u>		
Creditors (Accounts Payable) Compliance 2013~14	19.08.14	Response Received 11.11.14
Debtors (Accounts Receivable) ~ Compliance/Reconciliations 2013~14	14.07.14	Response Received 07.11.14

Agenda Item No. 7
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.

WORK IN PROGRES AS AT 30TH SEPTEMBER 2014		Status	Action Plans	
RISK ASSESSMENT	AUDIT REVIEW	As At 30.09.14	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2
	<u>Core Financial Systems (Annual Assurance Reviews)~ 2014/15 Annual Audit Plan</u>			
RA74	<u>Accounting Cash To Bank</u> Accounting (Cash To Bank) ~ Bank Reconciliation	Stage 1	20.08.14 (Qrt 1)	10.10.14 (Qrt 2)
RA88	<u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u> Benefits Compliance (Housing Allowances)~Entitlement	Stage 1	20.08.14 (Qrt 1)	-
	Benefits Compliance (Housing Allowances)~Overpayments	Stage 1	-	16.10.14 (Qrt 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)	-
	Benefits Reconciliations ~ Overpayments {Financial Ledger}	Stage 1	-	03.11.14 (Phase 1)
RA82	<u>Council Tax</u> Council Tax ~ Compliance/Recovery	Stage 1	-	21.10.14 (Phase 1)
	Council Tax ~ Reconciliations	Stage 3	-	-
RA80	<u>Creditors (Accounts Payable)</u> Creditors (Accounts Payable) Compliance	Stage 1	-	04.11.14 (Phase 1)
	Creditors (Accounts Payable) Reconciliations	Stage 3	-	-
RA89	<u>Debtors (Accounts Receivable)</u> Debtors (Accounts Receivable) Compliance	Stage 1	-	04.11.14 (Phase 1)
	Debtors (Accounts Receivable) Reconciliations	Stage 1	-	04.11.14 (Phase 1)
RA71	<u>Establishment</u> Establishment Reconciliation	Stage 1	-	04.11.14 (Phase 1)
	Establishment {Staff Record Forms}	Stage 1	-	05.11.14 (Phase 1)
RA84	<u>National Non Domestic Rates</u> NNDR ~ Compliance/Recovery	Stage 1	-	21.10.14 (Phase 1)
	NNDR ~ Reconciliations	Stage 1	-	31.10.14 (Phase 1)
RA85	<u>Payroll (Including Mileage & Subsistence Claims)</u> Payroll ~ Reconciliations (WFDC Accountancy Team)	Stage 1	-	06.11.14 (Phase 1)
	Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^	Stage 1	09.07.14	-
	^ Field Work includes Local Government Pension Scheme & Local Pay Award			
RA103	<u>Treasury Management</u>	Stage 3	-	-

KEY	
Stage 1	Phases 1 & 2 Field Work Complete with Action Plan to Service Manager.
Stage 2	Phases 1 & 2 Field Work Complete and Peer Reviewed ~ Action Plan to be issued by Principal Auditor
Stage 3	Field Work In Progress ~ {With Individual Auditor}

SECTION 5

Performance Against Annual Plan For The Financial Year 2014/15

Quarter ended 30th September 2014

Year to 30th September 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	73.25	72.25	101.38%	System and Probity	148.25	289	51.30%
ICT Audit (Governance, Advice & Assistance)	7.25	10.00	72.50%	ICT Audit (Governance, Advice & Assistance)	12.00	40	30.00%
Contract Audit/Procurement	0.75	6.25	12.00%	Contract Audit/Procurement	1.00	25	4.00%
Consultancy and Advice	8.50	12.50	68.00%	Consultancy and Advice	23.25	50	46.50%
Contingency for Investigations	2.00	5.00	40.00%	Contingency for Investigations	4.50	20	22.50%
Specific Service Duties	10.75	6.25	172.00%	Specific Service Duties	19.75	25	79.00%
Sub Total	102.50	112.25	91.31%	Sub Total	208.75	449	46.49%

TARGET

95.00%

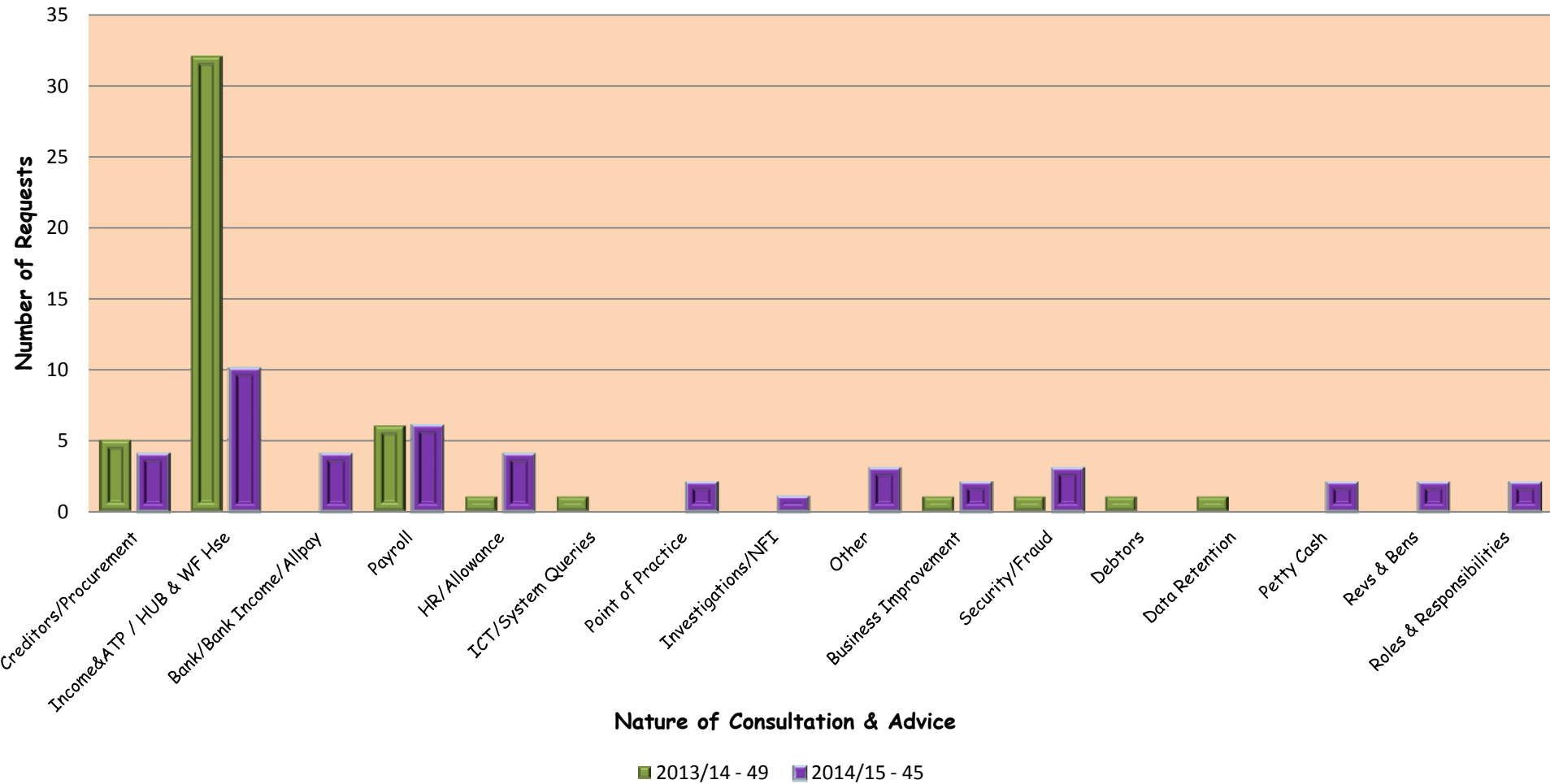
47.5%

Audit Resource Statistics

➔ For the quarter to 30th September 2014 actual against plan is **91.3 %** compared to a target of **95%** (95.8% against 95% target for quarter 30th September 2013).

➔ Within the time allocated in the above table, during this first quarter of 2014~15 the Internal Audit Team have responded to 45 requests for advice and consultancy as categorised in the graph overleaf, in comparison to the 49 requests received and actioned for the same period for 2013/14.

Comparison of Audit Consultancy & Advice Quarter 2 (July-September) 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:-

Social Media 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 proposed system changes for the implementation of the HR21 self serve kiosk..

Advise and undertake testing on the Cash Receipting (ICON) Computer application following an upgrade to a web based browser to aid information held within the Agresso Financial Management System.

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 30th September 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. During the quarter ended 30th September, assistance was provided in consultation with the Worcestershire Regulatory Services on mapping the WRS licence invoices as part of the Corporate Debtors Intervention.

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.