

Open

Audit Committee

Agenda

6pm
Monday, 29th June 2015
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor J Phillips
Vice-Chairman: Councillor T A Muir
Councillor P Dyke
Councillor M Rayner
Councillor A T Hingley
Councillor J D Smith

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, 29th June 2015

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 30 th March 2015.	5
5.	Audit Update Report To receive an update report from Grant Thornton in relation to audit progress and update for 2014/15.	8
6.	External Audit Fee Letter 2015/16 To receive an update report from Grant Thornton in relation to the planned audit fee for 2015/16.	20
7.	Internal Audit Monitoring Report Quarter Ended 31st March 2015 To receive a report from the Principal Auditor informing Members of the Internal Audit Monitoring Report quarter ended 31 st March 2015.	24

8.	<p>Internal Audit Annual Assurance Report 2014/15</p> <p>To receive a report from the Section 151 Officer and Principal Auditor which asks for approval of the Internal Audit Annual Assurance report.</p>	40
9.	<p>Annual Governance Statement</p> <p>To receive a report from the Chief Financial Officer which asks for the approval of the Annual Governance Statement and Annual Governance Action Plan 2014/15 for inclusion in the Statement of Accounts.</p>	49
10.	<p>Report on Final Accounts</p> <p>To receive a report from the Chief Financial Officer which asks for the Committee to consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2014/15 (The actual copy of the full Statement of Accounts is available on the intranet and will be emailed to Members of the Audit Committee separately due to the size).</p>	56
11.	<p>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
12.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2 - Not open to the Press and Public

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

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER

30TH MARCH 2015 (6PM)

Present:

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

AUD.27 Apologies for Absence

There were no apologies for absence

AUD.28 Appointment of Substitutes

There were no substitutes appointed.

AUD.29 Declarations of Interests by Members

No declarations of interest were made.

AUD.30 Minutes

Agreed: The minutes of the meeting held on 1st December 2014 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.31 Audit Update

The Committee received an audit update from Grant Thornton.

Members were taken through the report and informed that all audit work was on target and up to date.

Agreed: The report be noted.

AUD.32 Certification Report

The Committee received a report from Grant Thornton on the certification work for year ended 31st March 2014.

Members were informed that a number of small errors had been identified but nothing of concern.

Agreed: The report be noted.

AUD.33 Audit Plan

The Committee received a report from Grant Thornton on the Audit Plan.

Members were led through the report and informed Grant Thornton were happy with how the Council delivered its services.

Agreed: The report be noted.

AUD.34 Informing the Audit Risk Assessment

The Committee received a report from Grant Thornton on Informing the Audit Risk Assessment.

Agreed: The report be noted.

AUD.35 Internal Audit – Annual Audit Plan 2015/16

The Committee received a report from the S151 Officer and the Principal Auditor which informed Members of the Internal Audit – Annual Audit Plan 2015-2016.

Members were taken through the report and informed that the Audit Team had had their working hours reduced but had worked extra days if needed.

Agreed:

- 1. The Internal Audit – Annual Audit Plan 2015-16, attached at Appendix 1 of the report to the Audit Committee be considered and approved.**
- 2. The Chief Financial Officer as Section 151 be approved to amend the plan in consultation with the Principal Auditor in light of developments arising during the year as described in paragraph 3.6 of the report to the Audit Committee.**

AUD.36 Internal Audit Monitoring Report Quarter Ended 31st December 2014

The Committee received a report from the S151 Officer and the Principal Auditor which informed Members of the Internal Audit Monitoring Report for the quarter ended 31st December 2014.

The Principal Auditor took Members through the report and advised Members that the six audit reports had been finalised with two at a level of Some assurance and four at a level of Full assurance.

Agreed: The Internal Audit Monitoring Report for the Quarter ended 31st December 2014 as detailed in the Appendix of the report to the Audit Committee be considered.

AUD.37 Internal Audit – Protecting the Public Purse 2014

The Committee received a report from the S151 Officer which asked Members to note the summary of findings and recommendations from the recent Audit Commission National Report “Protecting the Public Purse 2014.

Members were taken through the report and informed that the report followed the national report and it had been agreed to look at it from the Council’s perspective.

Agreed: The Audit Committee Report “Protecting the Public Purse” 2014 and the position shown within the completed checklist as attached at appendix A of the report to the Audit Committee including any actions required be considered and noted.

AUD.38 Annual Governance Statement

The Committee received a report from the Chief Financial Officer which asked the Committee to approve the progress against the Annual Governance Statement Action Plan 2013/14.

The Chief Financial Officer took Members through the report and advised that the final settlement was awaited from Heritable Bank.

Agreed: The progress against the Annual Governance Statement Action Plan 2013/14 as attached at appendix 1 of the report to the Audit Committee be approved.

AUD.39 Risk Management

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

Agreed: The Corporate Risk Register and the associated mitigating actions as at 31st January 2015 and the 2014/17 Budget Risk Matrix be considered and noted.

The meeting ended at 18.41pm.



Audit Committee Update for Wyre Forest District Council

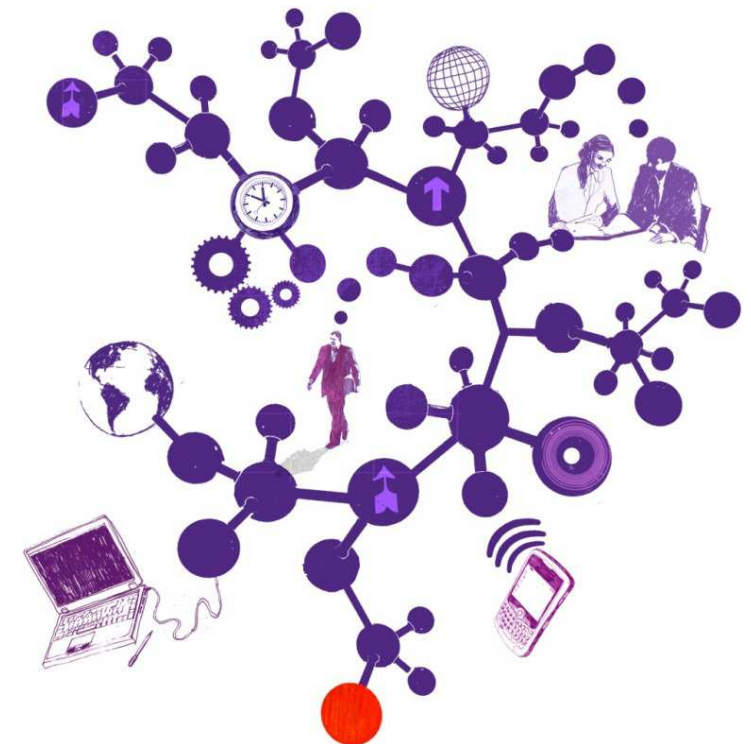
Year ended 31 March 2015

June 2015

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

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you.

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:

- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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

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Richard Percival - Audit Manager T 0121 232 5434 M 07584 591508 richard.d.percival@uk.gt.com

Progress at June 2015

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	March 2015	Yes	Our audit plan was presented to the March Audit Committee meeting
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion 	February – March 2015	Yes	We have completed our interim audit work. There are no issues that we wish to bring to Members' attention at this stage in our audit.
<p>2014-15 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion 	July – September 2015	No	We have had preliminary discussions on some accounting issues, including the valuation of property, plant and equipment

Progress at June 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • assessment of arrangements in place for securing financial resilience • assessment of arrangements for challenging how the Council secures economy, efficiency and effectiveness 	<p>July 2015</p>	<p>No</p>	<p>Our Value for Money work is in progress. We completed our initial assessment in April. There are no matters that we wish to bring to Members' attention at this stage of our audit.</p>

Spreading their wings: Building a successful local authority trading company

Grant Thornton

Our report, 'spreading your wings' focuses on how to set up a local authority trading company and, importantly, how to make it successful. It is available at <http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf>

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

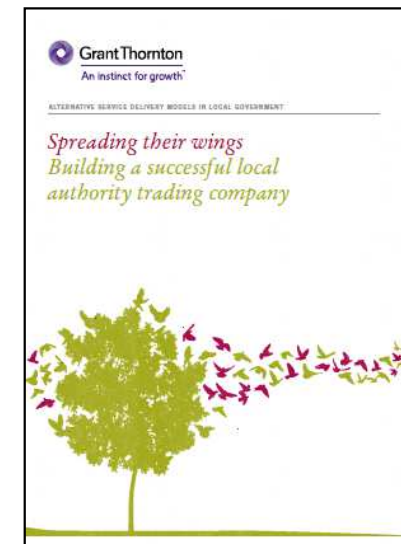
The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Welfare Reform Review: Easing the burden

Grant Thornton

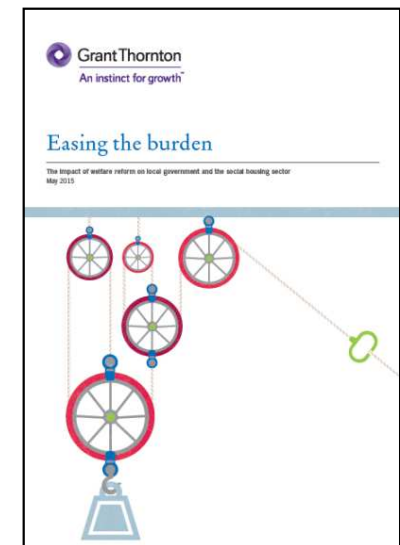
Our second welfare reform report, 'Easing the burden' provides insight into the impact of welfare reform on English local authority and social housing organisations over the past two years. It is available at <http://www.grant-thornton.co.uk/Global/Easing-the-burden-welfare-reform-report.pdf>

It focuses on the governance and management arrangements being put in place across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

The key messages include:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed have seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There has been limited movement to smaller properties as a result of the spare room subsidy and benefit cap reforms,
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay.
- Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP, hardship funding and general funding reductions inhibit the ability of local authorities and housing associations to pursue early intervention policies, preventing people falling into long-term benefit dependency. This has cost implications for the medium- to long-term.
- The cost of administering housing benefit is rising as a result of welfare reform. Around half of local authorities and housing associations surveyed said housing benefit is becoming significantly more costly to administer, partly due to the increased complexity of cases.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



The Queen's Speech 2015 – what it means for local government

Local government issues

The Queen's Speech was presented to Parliament on 27th May 2015 and set out the new government's policies and proposed legislative programme for the next parliamentary session. There are a range of proposals impacting on local government, including:

- A Cities and Local Government Devolution Bill aimed at boosting growth and increasing local government productivity and efficiency. It will provide the legislative framework to deliver the Greater Manchester deal and other future deals. The provisions of the bill will be applied to specified combined authorities and their areas, led by an elected mayor.
- A Housing bill extending right to buy legislation to housing associations and requiring local authorities to dispose of high-value vacant council houses. This bill will also introduce measures to simplify and speed up the neighbourhood planning system other changes to housing and planning legislation to support housing growth.
- An Education and Adoption bill that aims to speed up intervention in failing schools and requires inadequate, and coasting schools to become academies. It is also planned to introduce regional adoption agencies, working across local authority boundaries to reduce delays in the adoption system.

Local Government New Burdens

Local government issues

The National Audit Office (NAO) published its review of new burdens on local government on 5th June 2015.

In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes.

The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments. It concludes that:

- government departments have embraced the new burdens Doctrine and the DCLG's guidance has promoted consistent assessment and encouraged consultation with local government on the impact of new requirements;
- however, the government is not sufficiently open about which new burdens are assessed or the outcomes of assessments; and
- the DCLG has not promoted post implementation reviews to ensure funding is adequate.

The NAO also concludes that the DCLG needs to use intelligence from new burdens regime better, to improve its understanding of the pressures affecting local authorities' financial sustainability.

Understanding your accounts – Member guidance

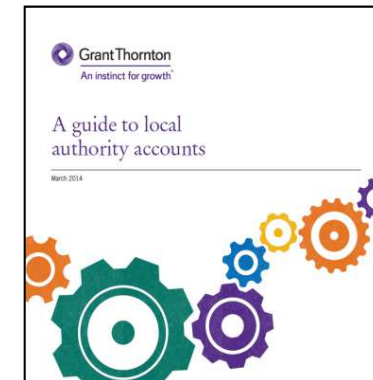
Accounting and audit issues

Local authority Audit Committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand.

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members to the Audit Committee may find this guide helpful.

The guide considers the :

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



We have provided copies of the Guide to Local Authority accounts to the Council for distribution to the Audit Committee. It is also available on our website at: <http://www.grant-thornton.co.uk/Documents/PS-Guide-to-local-authority.pdf>



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Grant Thornton

An instinct for growth™

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13th April 2015

Dear Tracey

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for the Wyre Forest District Council along with the scope and timing of our work and details of our team.

Scale fee

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

The Council's scale fee for 2015/16 has been set by the Audit Commission at £48,936, which compares to the audit fee of £64,348 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

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

Value for Money conclusion

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

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

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee was not set by the Audit Commission and is to be confirmed.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	12,234
December 2015	12,234
March 2016	12,234
June 2016	12,234
Grant Certification	
December 2016	TBC
Total	TBC

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to February 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed between June and August 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015- February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM conclusion
Final accounts audit	June to August 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM conclusion work for the consideration of those charged with governance.
VfM conclusion	Jan to August 2016	Audit Findings (Report to those charged with governance)	As above
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to November 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Mark Stocks	0121 232 5437	mark.c.stocks@uk.gt.com
Engagement Manager	Richard Percival	0121 232 5334	richard.d.percival@uk.gt.com
In Charge Auditor	Kathryn Kenderdine	0121 232 5316	Kathryn.a.kenderdine@uk.gt.com

Additional work

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

Quality assurance

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

Yours sincerely



Mark Stocks
Engagement Lead

For Grant Thornton UK LLP

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
29th JUNE 2015

INTERNAL AUDIT MONITORING REPORT
QUARTER ENDED 31ST MARCH 2015

OPEN	
CABINET MEMBER	Councillor Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31st March 2015

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st March 2015, attached as Appendix 1.

2. RECOMMENDATION

The Audit Committee is asked to CONSIDER:

- 2.1 The Internal Audit Monitoring Report for the Quarter ended 31st March 2015 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 and risk.
- 3.3 The Internal Audit Strategic Plan 2012~15 approved in March 2012 provided 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 2014~15 Annual Audit Plan
- Section 5 **Performance Statistics**
- Section 6 Summary of Final Reports issued in the period 1st April 2014 to 31st December 2014.

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 continue to 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 31st March 2015 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
31st MARCH 2015**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31st MARCH 2015

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<i>Tracey Southall</i> SECTION 151 OFFICER	

SECTION 1

Quarter Report to the 31st March 2015

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 K=Key S=Subsidiary	ASSURANCE LEVEL OF FINAL REPORT	IMPLEMENTATION STAGE PER CHIEF OFFICER AND/OR RESPONSIBLE MANAGER AT TIME OF FOLLOW UP REVIEW				Page No.
			No of Recommendations	No of Recommendations Implemented	No of Significant Recommendations	No of Recommendations Implemented	
SYSTEM REVIEWS							
-	-	-	-	-	-	-	-

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2015		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems (Annual Assurance Reviews)		
2014~15 Accounting {Income/Expenditure to Bank} ~ Bank Reconciliations	F	-
2014~15 Benefits Compliance {Council Tax Reduction (Local) Scheme} ~Entitlement/Allocation 2014~15 Benefits Compliance {Council Tax Reduction (Local) Scheme} ~ Recovery of Overpayments	S	32
2014~15 Benefits Compliance {Housing Allowances}~Entitlement/Payments 2014~15 Benefits Compliance {Housing Allowances}~Recovery of Overpayments	S	33
2014~15 Treasury Management	F	-
Subsidiary System (Annual Assurance Reviews)		
2014~15 Income To Bank {Miscellaneous Income & Holding Codes}	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.

AUDIT REPORT TITLE: Council Tax Discount {Local Scheme} Compliance Testing 2014/15 BUDGET: £7,766,553 (Estimated at 28.02.14)	ACTION PLANS ISSUED: 20 th August 2014 (Compliance) 22 nd August 2014 (Overpayments) DRAFT REPORT DATE ISSUED: 24th March 2015 FINAL REPORT DATE ISSUED: 14th April 2015 (Q4 31.03.15)	SERVICE: Chief Executive (Revenues & Benefits) RESPONSE DATE: Action Plans 10 th September 2014 Draft Report 26 th March 2015
---	---	--

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 2014-15. . The review was carried out to ensure that discounts payable for council tax support under the local scheme are assessed appropriately and calculated accurately. Overpayments on council tax accounts were also tested to ensure that calculations were accurate and recorded on the account accordingly.

Awards

A random sample of 20 accounts with Council Tax Discount Local Scheme (CTDS) entitlement was selected and examined in detail to ensure there is adequate proof of income and / or valid Department of Works and Pensions notification; adequate proof of capital and any income from capital is correctly calculated; that the level of disregards against income, non-dependant income and allowances and premiums have been assessed and applied correctly. There is a benefit application form and evidence of proof of identity. Checks were also made to ensure that the Civica Council Tax records were appropriately updated, that the property is not void and the claimants are the liable party for payment of Council Tax.

Overpayments

A random sample of 20 accounts with Council Tax discount “overpayments” was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original discount assessment and subsequent revised assessment was calculated accurately and the overpayment was correctly and accurately posted to the relevant council tax account.

Following each phase of testing, Action Plans were issued to the Corporate Customer Development Manager. Any matters arising were dealt with promptly by the Principal Benefits Officer, in some instances resulting in the claim being reassessed. Following the final phase of testing, it was found that for one claimant there had not been a recent review of their work pension, and for another, the DWP had not provided current tax credit entitlement calculations. These were brought to the attention of the Principal Benefits Officer and the claims have been subject to reassessment.

Conclusion

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

AUDIT REPORT TITLE: Housing Benefits Compliance Testing 2014-15	ACTION PLANS: 19th August / 16th October 2014	SERVICE: Chief Executives (Revenues & Benefits)
BUDGET: Estimated Benefit Payments £32,728,770 {14-15}	DRAFT REPORT DATE ISSUED: 13th February 2015	RESPONSE RECEIVED DATE: 18th & 23rd February 2015
REF: A280 BENEFIT PAYMENTS	FINAL REPORT DATE ISSUED: 25th February 2015	

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 2014-15. The review was carried out to ensure that benefits payments for rent allowance claims are assessed appropriately and calculated accurately. Overpayment accounts were also tested to ensure that calculations were accurate and recorded in the Subsidy Report.

Housing Allowance

A random sample of accounts with Housing Benefit entitlement was selected and examined in detail to ensure there is adequate proof of income and / or valid Department of Works and Pensions notification; adequate proof of capital and any income from capital is correctly calculated; that the level of disregards against income, non-dependant income and allowances and premiums have been assessed and applied correctly. There is a benefit application form and evidence of proof of identity and verifying the benefit is based on the correct eligible rent.

Overpayments

A random sample of accounts with a Housing Benefit overpayment was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original benefit assessment was calculated accurately, the revised assessment was calculated accurately and the overpayment was correctly stated in the subsidy and overpayment reports produced by the Civica (Benefits) computer system, and being recovered in accordance with legislation.

Detailed compliance testing to cover a full calendar year was undertaken throughout 2014/15. Following each phase of testing, Action Plans were issued to the Corporate Customer Development Manager to ensure that any matters arising were dealt with promptly by the Principal Benefits Officer, in some instances resulting in the claim being reassessed. Whilst there were no matters arising from the final phase of testing, one observation prompted the Principal Benefits Officer to log a system call with the Service provider for which an observation is included within the report.

Conclusion

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

SECTION 3

Quarter Report to the 31st March 2015

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2015		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
<u>ANNUAL ASSURANCE REVIEWS</u> 2014~15 Accounts Payable {Creditors Compliance}	24.03.15	~
<u>Subsidiary Systems</u> 2014~15 Income To Bank {Housing Act Advances}	07.04.15	~

SECTION 4

The following Action Plans have been issued to Managers. 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 31st March 2015		Status	Action Plans			DATE OF COMPLETION OF FIELD WORK
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.15	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	
RA74	Core Financial Systems (Annual Assurance Reviews)~ 2014/15 Annual Audit Plan <u>Accounting Cash To Bank</u> Corporate Income To Bank*	Stage 5	-	-	27.01.15	-
	*Additional work commissioned arising from the Finance Intervention					
RA94	<u>Budgetary Control & Monitoring</u> Corporate Review of Budgetary Control & Monitoring Journals (Extract from Budgetary Control & Monitoring)	Stage 4 Stage 4	- -	- -	- -	27.02.15 23.03.15
RA88	<u>Benefits (Inc Council Tax Discounts (Local Scheme))</u> Benefits Reconciliations ~ Overpayments {Financial Ledger}	Stage 4	-	03.11.14 (Phase 1)	-	28.05.15 (Phase 2)
RA82	<u>Council Tax</u> Council Tax ~ Reconciliations	Stage 4	-	-	17.02.15	01.06.15 (Phase 2)
RA80	<u>Creditors (Accounts Payable)</u> Creditors (Accounts Payable) Reconciliations	Stage 4	-	-	-	18.03.15
RA89	<u>Debtors (Accounts Receivable)</u> Debtors (Accounts Receivable) Compliance Debtors (Accounts Receivable) Reconciliations	Stage 4 Stage 4	- -	04.11.14 (Phase 1) 04.11.14 (Phase 1)	- -	17.03.15 (Phase 2) 17.03.15 (Phase 2)
RA71	<u>Establishment</u> Establishment Reconciliation Establishment {Staff Record Forms}	Stage 4 Stage 4	- -	04.11.14 (Phase 1) 05.11.14 (Phase 1)	- -	28.02.15 (Phase 2) 28.02.15 (Phase 2)
RA84	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations	Stage 4	-	31.10.14 (Phase 1)	-	10.04.15 (Phase 2)
RA85	<u>Payroll (Including Mileage & Subsistence Claims)</u> Payroll ~ Reconciliations (WFDC Accountancy Team) Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team)^ ^ Field Work includes Local Government Pension Scheme & Local Pay Award	Stage 3 Stage 4	- 09.07.14	06.11.14 (Phase 1) -	- 25.11.14	01.05.15 (Phase 2)

KEY

- Stage 1 Phases 1 & 2 & 3 Field Work Complete with Action Plan to Service Manager.
- Stage 2 Phases 1 & 2 & 3 Field Work Complete and Peer Reviewed ~ Action Plan/Report to be issued by Principal Auditor
- Stage 3 Field Work In Progress ~ {With Individual Auditor}
- Stage 4 Audit Complete awaiting review by Principal Auditor
- Stage 5 Draft Report Issued
- Stage 6 Final Report Issued

SECTION 5

Performance Against Annual Plan For The Financial Year 2014/15Quarter ended 31st March 2015Year to 31st March 2015

	<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	74.00	72.25	102.42%	System and Probity	299.75	289	103.72%
ICT Audit (Governance, Advice & Assistance)	3.25	10.00	32.50%	ICT Audit (Governance, Advice & Assistance)	19.50	40	48.75%
Contract Audit/Procurement	1.75	6.25	28.00%	Contract Audit/Procurement	4.25	25	17.00%
Consultancy and Advice	14.25	12.50	114.00%	Consultancy and Advice	50.50	50	101.00%
Contingency for Investigations	4.75	5.00	95.00%	Contingency for Investigations	11.25	20	56.25%
Specific Service Duties	11.00	6.25	176.00%	Specific Service Duties	38.75	25	155.00%
Sub Total	109.00	112.25	97.10%	Sub Total	424.00	449	94.43%

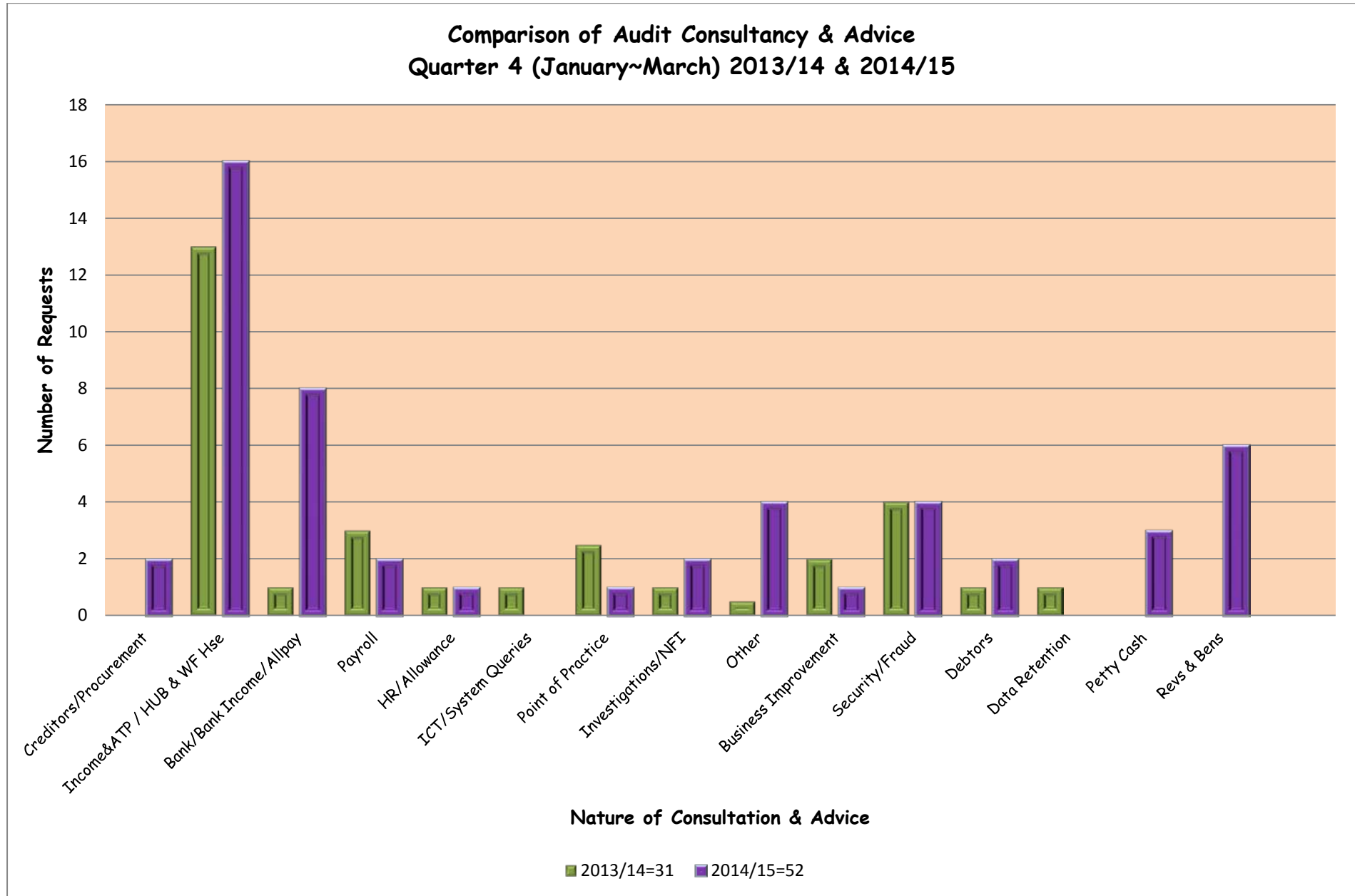
TARGET 95.00%

95.00%

Audit Resource Statistics

→ For the quarter to 31st March 2015 actual against plan is **97.10 %** compared to a target of **95%** (97.27% against 95% target for quarter 31st March 2014). Overall for the full financial year of 2014/15 **94.43%** of the audit plan has been achieved against the target of 95% in comparison to a **95.23%** for the 2013/14 financial year.

→ Within the time allocated in the above table, during this fourth and final quarter of 2014~15 the Internal Audit Team have responded to 52 requests for advice and consultancy as categorised in the graph overleaf, in comparison to the 31 requests received and actioned for the same period for 2013/14.



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)

<u>Information Security Group, to include the Review of the following ICT Polices:-</u>
Social Media Policy
ICT Policy Acknowledgement
Advise on Prospective Changes to the workflow for requisitions (procure to pay) as part of the on-going finance intervention.
Advise and undertake detailed 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 31st March 2015, 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.

SECTION 6

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.
FINAL AUDIT REPORTS ISSUED IN THE PERIOD 1 ST APRIL 2014 TO 31 ST DECEMBER 2014 - KEY SYSTEMS	
QUARTER ENDED 30 TH JUNE 2014	ASSURANCE
CORE FINANCIAL SYSTEM REVIEWS	
2013~14 Accounting Journals (Extract of Budgetary Control/Monitoring)	S
2013~14 Payroll (Compliance) ~ WFDC (Arrangements within the Accountancy Team)	S
2013~14 Payroll (Reconciliations) ~ WFDC (Arrangements within the Accountancy Team)	S
2013~14 VAT (Arrangements for Collection/Payment/Accounting for Value Added Tax)	S
QUARTER ENDED 30 TH SEPTEMBER 2014	
CORE FINANCIAL SYSTEM REVIEWS	
2013~14 Housing Benefits Reconciliation Procedure {Overpayments}	S
2013~14 Council Tax Reconciliation Procedures {Including Gross Debit}	S
2013~14 Payroll Audit {HR Establishment Database Reconciliation}	S
2013~14 Staff Record Forms {Extracted from HR Establishment}	F
QUARTER ENDED 31 ST DECEMBER 2014	
CORE FINANCIAL SYSTEM REVIEWS	
2013~14 Accounts Payable (Corporate Creditors)	S
2013~14 Accounts Receivable (Corporate Debtors)	S
2014~15 Council Tax Compliance Testing	F
2014~15 NNDR Compliance Testing	F
CYCLICAL SYSTEM REVIEWS	
2014~15 Pay & Display Car Parks (Charging Facilities)	F

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
29th JUNE 2015

INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2014/15

OPEN	
CABINET MEMBER	Councillor Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 - Internal Audit Annual Assurance Report – 2014/15

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Annual Assurance Report for 2014/15.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee is asked to APPROVE the Internal Audit Annual Assurance report for 2014/15 attached as Appendix 1.**

3. BACKGROUND

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

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

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

- 3.2 The approved Internal Audit Charter requires that the Section 151 Officer in consultation with the Principal Auditor, prepare an Annual report to the Audit Committee on the Council's internal control environment. This report should:

- include an opinion on the overall adequacy and effectiveness of the Council's internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification

- present a summary of the audit work undertaken to formulate the opinion
- draw attention to any issues judged to be particularly relevant to the preparation of the statement on internal control
- compare the work actually undertaken with the work that was planned
- comment on compliance of the Internal Audit Team with the UK Public Sector Internal Audit Standards as adopted April 2013.

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

Satisfactory
Satisfactory, with reservations
Improvement required

4. KEY ISSUES

- 4.1 It is a statutory requirement that this Council has an Internal Audit service as part of its Corporate Governance framework.
- 4.2 An Annual Governance Statement is required to be published with the Council's Annual Statement of Accounts which is required to be signed by the Leader of the Council and the Chief Executive. The Internal Audit Annual Assurance report contributes to the evidence necessary in order for this statement to be prepared.
- 4.3 The Accounts and Audit (England) Regulations 2011 requires the Council to conduct a **review of the effectiveness of Internal Audit**. The Internal Audit Annual Assurance Report provides evidence in respect of this requirement.
- 4.4 Internal Audit make recommendations to management to improve the internal control environment of the system being reviewed. It is management’s responsibility to develop and maintain the internal control systems and take the necessary action to implement agreed recommendations included in final internal audit reports.
- 4.5 The approved Internal Audit Charter requires that an annual report is prepared covering the items detailed in paragraph 3.2 and this is attached as Appendix 1.
- 4.6 The aim of most audit reports is to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment. The levels of assurance arising from the internal audit reviews for 2014~15 together with those of the previous year are as follows:

		KEY SYSTEMS <u>Assurance Level</u>			SUBSIDIARY SYSTEMS <u>Assurance Level</u>			TOTAL
		Full	Some	Limited	Full	Some	Limited	
2014-15	Number	7	24	0	2	4	0	37
2013-14	Number	10	26	0	2	0	0	38

4.7 The results of this table give an overall perspective only with the knowledge that some audit reviews of both key and subsidiary systems can range from a very large and complicated system to a very straightforward one.

- 4.8 During 2014/15 Internal Audit have sought to further progress work with all service areas and to provide advice and assistance on the implementation of recommendations and action. As a result, measures have been put into place to facilitate a more timely proactive approach to improving systems and it is fair to conclude that there has been an improvement in control which has been enhanced by the introduction of Action Plans issued during the course of audit reviews. The aim of the Action Plans has been to enable Managers to react to observations with prompt remedial action which can be evidenced during the audit review and lead to an improved final audit assessment. This collaborative approach has enabled Managers to actively work with the Internal Audit Team to improve the control environment.
- 4.9 The annual report in Appendix 1 also covers a review of the effectiveness of Internal Audit required by the Accounts and Audit (England) Regulations 2011. Collaboration by CIPFA with the Chartered Institute of Internal Auditors (IIA) led to the development of the new set of Internal Audit Standards (UKPSIAS) in 2013 which provide for a consistent internal audit framework for the whole of the public sector. These new standards effectively replaced the CIPFA Code of Practice for Internal Audit in Local Authorities in the United Kingdom 2006.
- 4.10 The UK Public Sector Internal Audit Standards were formally adopted by the Audit Committee in December 2013. The new standards are intended to promote further improvement in the professionalism, quality and effectiveness of Internal Audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Management with the assurance they need. The Internal Audit Team conforms to the Standards and has demonstrated compliance with these standards as reported to the Audit Committee in June 2014.
- 4.11 The review of Internal Audit effectiveness is not about process. The focus of the review is in respect of the delivery of the Internal Audit Service to the required standard in order to produce a reliable assurance on internal control in operation in the council's practices and procedures – in essence the need for the review is to ensure that the opinion given in Appendix 1 may be relied upon as a key source of evidence for the annual review of internal control.
- 4.12 It is the opinion of the S151 Officer, that it is **satisfactory**; this is detailed within Appendix 1.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

6. LEGAL AND POLICY IMPLICATIONS

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

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

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

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

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

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

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

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

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

7. RISK MANAGEMENT

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

7.2 The Internal Audit service is one element of the Council’s assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The adoption of the UK Public Sector Internal Audit Standards ensures the Council continues to comply with best practice and mitigates risk accordingly

7.3 This report summarises the work undertaken by the Internal Audit Section for the 2014/15 financial year and is reviewed by the External Auditors as part of their financial audit and provide an opinion on the Internal Audit Service as a contribution to the Councils internal control environment. The annual report has been provided in accordance with the Internal Audit Section’s approved Charter.

7.4 Corporate Risk Management forms part of the Councils processes as reported to this committee on 29th September 2014 and 30th March 2015. This assists with the maintenance and development of the council’s internal control environment.

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

9. CONCLUSIONS

9.1 The Annual Report - 2014/15 provides an opinion from the Section 151 Officer, on the adequacy and effectiveness of the Council’s internal control environment arising from the completion of Internal Audit reviews.

9.2 This opinion is based on the work undertaken by the Internal Audit Section in accordance with the approved Annual Audit Plan for 2014/15. This report is presented to members in accordance with the Internal Audit Charter as approved by the Audit Committee.

9.3 Overall it has been concluded that the internal control environment has seen improvement during 2014/15 and remains satisfactory.

9.4 A review of the effectiveness of internal audit for the financial year 2014/15 has been undertaken in accordance with current guidelines.

10. CONSULTEES

10.1 Corporate Leadership Team

10.2 Cabinet Member for Resources & Transformation

11. BACKGROUND PAPERS

11.1 30th June 2014 ~ Audit Committee ~ Self Assessment: Compliance with the UK Public Sector Internal Audit Standards

24th March 2014 ~ Audit Committee ~ Internal Audit Charter

24th March 2014 ~ Internal Audit Plan 2014~15

2nd December 2013 ~ Audit Committee ~ UK Public Sector Internal Audit Standards ~ April 2013

12th March 2012 ~ Audit Committee ~ Strategic Audit Plan 2012/15

Accounts and Audit (England) Regulations 2011 (SI 817)

WYRE FOREST DISTRICT COUNCILINTERNAL AUDIT ANNUAL ASSURANCE REPORT – 2014/15Internal Control Environment

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

The work of the Internal Audit Section relating to the financial year ended 31st March 2015 has been undertaken in accordance with the approved Audit plan 2014/15. The work undertaken has met the requirements of the Council's External Auditors and by compliance with the UK Public Sector Internal Audit Standards (previously the CIPFA Code of Practice for Internal Audit in Local Government 2006).

The results of this work have been reported to the Audit Committee in quarterly reports on the 29th September; 1st December 2014; 30th March 2015; and 29th June 2015. These reports include a summary of the work undertaken in each quarter.

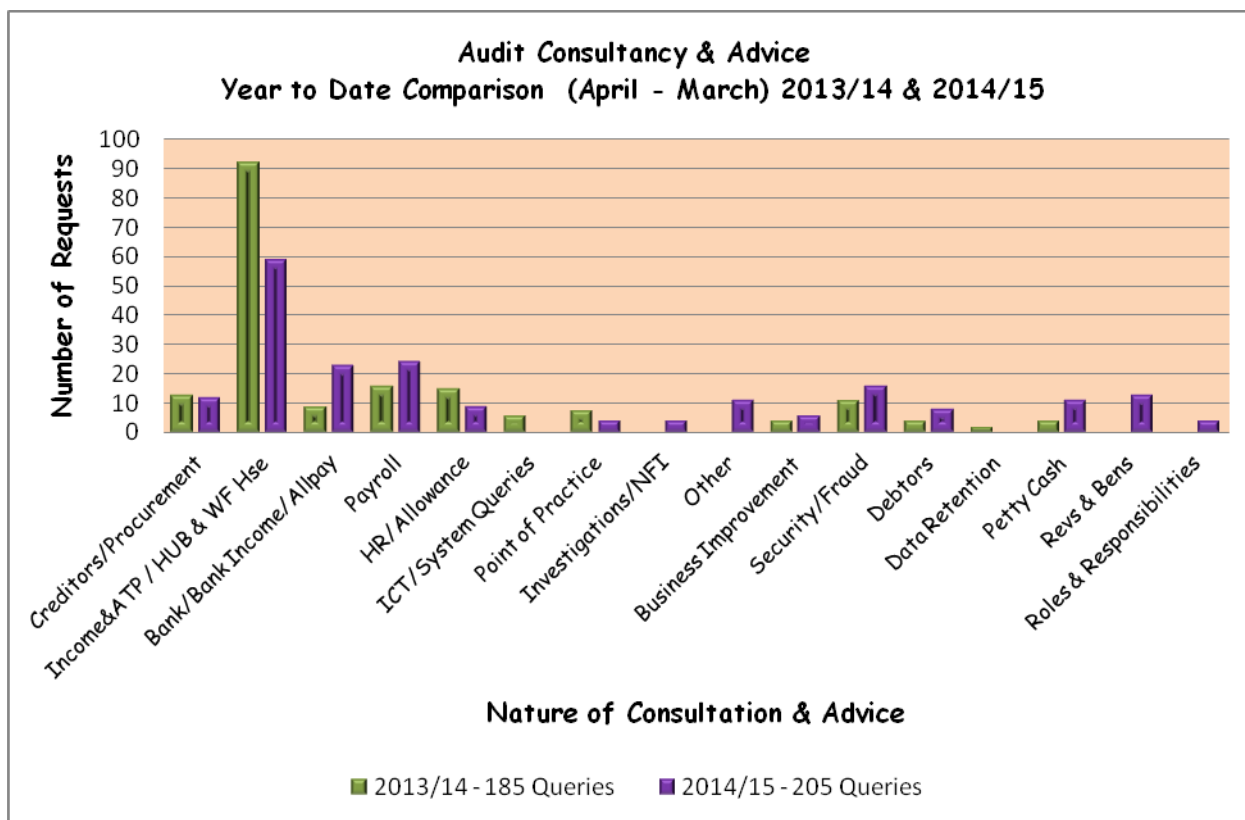
The internal control weaknesses identified from final and draft reports relating to the 2014/15 financial year have been considered in the preparation of this annual report. Where control weaknesses were identified, Management action plans are in place and are subject to ongoing review.

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

Year ended 31st March 2015

	Plan Days	Actual Days	Actual as % of Plan %
System and Probity	289	299.75	103.72%
Computer Audit	40	19.50	48.75%
Contract Audit	25	4.25	17.00%
Consultancy and Advice	50	50.50	101.00%
Contingency for Investigations	20	11.25	56.25%
Specific Service Duties	25	38.75	155.00%
SUB TOTAL	449	424.00	94.43%

Consultancy, advice and irregularity work are demand led activities, and do fluctuate each year. Utilisation of Internal Audit advice throughout the year ensures that appropriate controls are incorporated at an early stage of planning new or changing current systems and processes. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During 2014~15, the Internal Audit Team have continued to provide a consultancy and advice service to colleagues as required.



From the work undertaken by internal audit for the 2014/15 financial year overall the adequacy and effectiveness of the Council’s internal control environment is considered to be:

Satisfactory

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

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

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

INTERNAL AUDIT ANNUAL ASSURANCE REPORT –2014/15 (CONTINUED)

Internal Control Environment (Continued)

- The findings and recommendations of the External Auditors reported to the Audit Committee on 29th September 2014 as part of the 2013/14 financial audit, along with an independent review of the Council's arrangements for securing financial resilience moving forward.
- The key areas arising from the audit as summarised in the External Auditors Annual Audit Letter presented to the Audit Committee on 1st December 2014. The key areas for the Council's attention included:-
 - ❖ recognition that the Council had acted on previous year recommendations,
 - ❖ concluding that the Council has appropriate arrangements for securing efficient, economy and effectiveness, in particular adequate arrangements in place for securing financial resilience with strong performance management and budgeting systems in place.

Review of the effectiveness of the system of internal audit

Work has been undertaken in accordance with the approved Internal Audit plan for 2014/15 and 94.43% of this plan has been completed by June 2015. Internal Audit reports have been reported to members of the Council's Corporate Leadership Team and the Audit Committee.

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

The work of the Internal Audit section is undertaken in accordance with recognised practices and standards and procedures are continually reviewed and refined in order to ensure compliance. This was evidenced with a report to the Audit Committee on 30th June 2014 detailing the self assessment of the Internal Audit Team against the UK Public Sector Internal Audit Standards as adopted in 2013.

The External Auditors review the files and reports of the Internal Audit Team as part of their interim audit. An assessment is made by the External Auditors on internal audit's overall arrangements as a contribution to the internal control environment and governance arrangements within the Council. For 2014/15 External Audit concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that the Internal Audit work contributes to an effective internal control environment the Council.

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

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

Agenda Item No. 8

The Internal Audit Team was restructured in 2014~15 as part of the required reductions in corporate support services for 2014~15. The restructure of the Internal Audit Team ensured that it retained the staffing resources required to continue to provide management with an opinion of the control environment within the annual internal audit opinion commensurate with the prevailing risks of the Council. The need for savings was carefully managed and balanced against the need for adequate resources for the continued provision of an effective Internal Audit Service.

During 2014~15 additional audit days have been worked to provide necessary assurance on Payroll, HR21 and the Finance Interventions in particular. This has been funded either by Redditch Borough Council who have commissioned specific projects or from transformational reserves. In particular, during 2014~15, the Internal Audit Team have been involved in several projects designed to add value to current procedures. These projects have included, additional commissioned work with the Events Team to develop a secure process for the collection and banking of public donations during events; involvement as part of the project team bringing in new procurement "P" cards; introducing a ticket sales recording system at the Town Hall and as part of the Information Security Group, revisiting ICT policies and procedures to ensure they are current and acknowledge the changes around ICT governance.

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

Tracey Southall
Section 151 Officer

Cheryl Ellerton
Principal Auditor

29th June 2015

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
MONDAY 29th JUNE 2015

ANNUAL GOVERNANCE STATEMENT

CABINET MEMBER	Councillor Nathan Desmond
DIRECTOR	Chief Financial Officer Ext 2100 tracey.southall@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Annual Governance Statement 2014/15

1. PURPOSE OF REPORT

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

2. RECOMMENDATION

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

The Annual Governance Statement attached at Appendix 1.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2011, require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 The Audit Committee approved the adoption of the CIPFA/SOLACE code at the meeting on the 17 March 2008 and the subsequent annual reviews on the implementation, the latest one being 30th March 2015.
- 3.4 In relation to the 2014/15 Annual Governance Statement it is proposed to use existing processes in relation to the review of the control system, collation of information and compilation and monitoring of the Annual Governance Statement.

4. KEY ISSUES

- 4.1 In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:
- Internal Audit reports, following the annual assurance report from the S151 Officer,
 - External Audit reports;
 - Assurance Statements completed by senior staff;
 - Corporate Risk Register;
 - External Inspection findings including;
 - Other relevant information.
- 4.3 The Annual Governance Statement is presented to the Audit Committee for approval, prior to the signing by the Chief Executive and the Leader of the Council.
- 4.4 The draft Annual Governance Statement for 2014/15 is shown at Appendix 1; this document has been prepared in line with the CIPFA/SOLACE guidance.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL & POLICY IMPLICATIONS

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

7. RISK MANAGEMENT

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

8. CONCLUSION

- 8.1 The Council is required to complete an Annual Governance Statement which is required to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement
 - Consider the robustness of the Authority's governance arrangements
 - Monitor any actions arising from the review of arrangements.
- 8.2 The statement is submitted to the Audit Committee for approval on 29th June 2015.

9. CONSULTEES

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

10. BACKGROUND PAPERS

- 10.1 CIPFA Finance Advisory Network The Annual Governance Statement Meeting the requirements of the Accounts, Audit Regulations 2003 repealed by the 2011 Regulations, Incorporating Accounts and Audit (Amendment) (England) Regulations 2006 Rough Guide for Practitioners with effect from 2007/8, 2011Accounts and Audit Regulations and SI 817.
- 10.2 DCLG Circular 03/2006.
- 10.3 Delivering Good Governance in Local Government CIPFA/SOLACE.
- 10.5 UK Public Sector Internal Audit Standards April 2013.
- 10.6 Audit Committee Reports 29th March 2015.

Scope of Responsibility

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

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Wyre Forest District Council for the year ended 31st March 2015 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

ANNUAL GOVERNANCE STATEMENT 2014/15 (continued)

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

Delivery

The Council delivers these outcomes through:

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

Review of Effectiveness

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

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

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

Regular reviews are carried out by the Corporate Leadership Team, including during March and again in May 2015. These reviews take into account:

ANNUAL GOVERNANCE STATEMENT 2014/15 (continued)

- the Internal Audit Annual Assurance report from the Section 151 Officer as Chief Financial Officer in consultation with the Principal Auditor for 2014/15;
- comments of other review agencies, inspectorates and external bodies;
- the findings and recommendations of the External Auditor's Annual Audit Letter reported to the Audit Committee on 1st December 2014.

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

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

The constitution is under constant review, to ensure that it remains fit for purpose; a more fundamental review was undertaken in 2014/15 to ensure it is updated to reflect the ongoing Systems Thinking service reviews that form part of the Wyre Forest Forward Programme. This will continue in 2015/16.

The Audit Committee is the Member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters. The Audit Committee also regularly considers the recommendations from Internal Audit. Progress against the External Auditor's Annual Audit Letter as reported to the Audit Committee on 1st December 2014 was considered at its meeting on the 30th March 2015.

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

The Council's Internal Audit complies with the UK Public Sector Internal Audit Standards – April 2013 as formally adopted. The December 2013 and March 2014 Audit Committees approved the Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards. A number of other internal and external reports considered the challenges around governance, including the Grant Thornton 2014 Governance Review to ensure all appropriate controls and updates are in place across the Council. The March 2015 Audit Committee considered and noted the Audit Commission report Protecting the Public Purse together with a detailed checklist for Wyre Forest. This highlighted the risks posed by fraud to local authorities and used the checklist to review the Council's fraud arrangements. This is particularly relevant given that the risk of fraud tends to increase in austere times and the need to focus on non benefit fraud following the transfer of the benefit investigators to the DWP Single Fraud Investigation Service in November 2014. A new part-time Corporate Fraud Investigator/Corporate Debt Recovery post has been approved by the Leadership team in March 2015 to mitigate this risk. This new post will work closely with the Revenues Compliance Officer.

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

ANNUAL GOVERNANCE STATEMENT 2014/15 (continued)

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

Significant Governance Issues

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

- Progression of the Leisure Future project to ensure that the Council meets the future needs of the District and that our appointed partner Places for People remains on target to deliver the affordable and sustainable leisure facility on the Silverwoods site;
- Continued progression of the challenging Wyre Forest Forward programme and associated transformation projects, including robust monitoring with the opportunity to challenge as appropriate, against savings plans, including the potential depot relocation;
- Maintain financial resilience by securing approval of a Medium Term Financial Strategy with a fully balanced budget, taking into account the ongoing challenges of the impact of further resource reviews following the General Election including the Business Rate Review, progression of Welfare Reform and further work around income generation and expenditure reductions;
- Maintaining resilience in the governance process following the all-out local elections in May 2015, with particular regard to the increasingly complex array of partnership agreements the Council signs up to as part of its pursuit of innovative alternative service delivery solutions including localism, joint operations and potentially devolution and combined authorities;
- Maintaining financial resilience with reduced resources across Enabling teams, particularly in view of the two-phase “Help me Make Good Financial Decisions” Intervention work stream;
- Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats;
- Focus on non benefit fraud utilising the Compliance Officer and new Corporate Fraud Investigator/Corporate Debt Recovery resources. Performance and impact of these new resources to be closely monitored.

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

Signed

Ian R Miller
Chief Executive

Marcus J Hart
Leader of the Council

29th June 2015

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
29TH JUNE 2015**STATEMENT OF ACCOUNTS 2014/15**

OPEN	
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall Ext. 2100 Tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Explanation of Major Variances compared to Revised 2014/15 Budget

1. PURPOSE OF REPORT

- 1.1 To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2014/15.

2. RECOMMENDATION

The Audit Committee is asked to:-

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

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2011 have been incorporated into the Council's Financial Regulations. These regulations require that the Council's Statement of Accounts be produced and approved by the Chief Financial Officer on or before 30th June, 2015. The Audit Committee are therefore requested to endorse the Statement approved by the Chief Financial Officer at this stage. A full copy of the draft Statement of Accounts will be made available on the Council's intranet for Member's perusal.
- 3.2 On 23rd June, a Cabinet report was considered setting out the provisional outturn position in relation to the Final Accounts for 2014/15. Cabinet was asked to note additional funding for the following significant earmarked reserves from the surplus in 2014/15. The first was £100k to top up the Business Rates Risk Reserve; the second was £150k to replenish the Transformation Fund.
- 3.3 The Statement is then subject to audit. The Council's external auditor; Grant Thornton has until 30th September 2015 to complete the audit, after which the Statement will be published.
- 3.4 Should it be necessary for Grant Thornton to agree technical changes with the Chief Financial Officer while the accounts are subject to audit, these will be made under

delegated powers. All Members of the Council will be provided with a published copy of the Statement.

- 3.5 Members may wish to note that the Council's Accounts will be made available for public inspection as required by the Accounts and Audit (England) Regulations 2011, between 16th July 2015 and 12th August 2015. Grant Thornton will be available on the 13th August 2015, at the Accountancy Section, Wyre Forest House, if any local government elector for the area has any questions on the Accounts that they wish to raise with them. Appointments for any meetings with the Auditors must be made in advance, in writing.
- 3.6 The provisional revenue outturn position has identified savings of £260,800 (subject to audit and after the creation of the earmarked reserves for the Business Rates Risk Reserve of £100k and Transformation Fund £150k) compared to the Revised Budget allowing £553,460 to be added to General Reserves rather than the planned £292,660. Appendix 1 summarises major variations from the Revised Budget for Members' information.

4. KEY ISSUES

- 4.1 The most significant issue facing the Council remains its financial position. The updated medium term financial strategy, approved by February Council, provides a balanced approach for the next three years. It continues to draw on general reserves after 2014/15 at a rate of up to about £550k a year and this is now the scale of savings that needs to be achieved by further efficiency measures and potentially some service changes. More will be known following the Emergency budget on 8th July 2015 when there is likely to be a further Spending Review.
- 4.2 This has been the second year of the Business Rates Retention Scheme and the increase in the number of appeals lodged with the Valuation Office, particularly in view of the change from April 2015 to restrict the time period for back-dating of appeals have contributed to this Council's results. We have exceeded our budgeted target of £2.547m by a net £46k based on the membership agreement of the Worcestershire Business Rates Pool. We paid into the risk reserve this year, rather than receiving a payment from it as was the case in 2013/14. The 2014/15 risk reserve was fully paid over to Malvern Hills towards their funding shortfall. This is an improvement on our performance for 2013/14 where we fell below baseline. However, the increased risk around appeals is disappointing and although we have made provision within the accounts for such payments it is unknown if this will be sufficient. We currently hold a Business Rates Risk Earmarked Reserve of circa £200,000 but this may prove insufficient and to cover the increased uncertainty and reduce risk it is prudent to increase this reserve by £100,000. This will continue to be closely monitored and the reserves and provisions reduced if the estimates prove excessive compared to appeals finally settled by the Valuation Office.
- 4.3 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2014/15. These variances include:
- i) Pay, General Administration and Miscellaneous Corporate savings of £197k
These relate to various accounts across the whole of the Council which are then reallocated to front line services. It is clear that reductions have been made in expenditure across the Authority as austerity continues. This includes savings for further reductions in the audit fee and bank charges of £23k.

- ii) Benefit Payments, positive variance of £46k
The Council has been successful in the recovery of more overpayments than had been expected generating an extra £46k.
- iii) Provision for Bad Debts
Although the overall position in relation to provision to bad debts is more or less neutral, it is important to note that the Housing Benefits element increased by £45k due to increased identification of fraud and overpayments that must now be recovered, whilst the sundry debt provision reduced by £40k as a result of extra debt recovery activity being resourced improving our position.
- iv) Property-related lease extension premium income - adverse variance of £123k
The adverse variance is due to delayed finalisation of the extension of industrial estate leases so this income should be received in 2015/16.
- v) Additional net expenditure in relation to the Depot/Transport costs of £47k offset by reduced costs of depot repairs and maintenance and other general expenditure of £22k and additional waste income of £30k.
There have been some unforeseen additional vehicle repairs this year but fortunately these fleet costs are offset by reduced costs/increased income in other depot related areas.
- vi) Public Conveniences – savings in refurbishment costs of £46k
This saving is as a result of the use of an earmarked reserve and capital funding being used for the refurbishment of Load Street toilets.
- vii) Carbon Managements savings not achieved of £34k
The implementation of the programme of work to achieve the forecast Carbon Management savings is taking longer than originally predicted.
- viii) Additional External Interest income received of £25k,
This additional interest on investments has resulted from slightly longer durations and robust treasury management of funds.
- ix) Reduced net income from Car Parking and Civil Enforcement of £26k
Car parking income has failed to reach budget estimates this year but has been partially offset by reduced running costs. It should also be noted that there is £21k pay savings included within the corporate variations that mitigates this overspend for the service as a whole.
- x) Parks and Green Spaces and other Grounds Maintenance increased costs of £21k.
Due to increased costs of agency of £49k following a challenging restructure and direct material costs totalling £62k offset in part by reduced costs of playground equipment of £20k and additional sponsorship and other external income of £19k.
- xi) Additional Cemetery Income and lower repairs and maintenance totalling £42k
The extra sale of plots at the old cemetery and reduced repairs and maintenance has resulted in this saving.
- xii) District Local Development Framework Reduced costs of £30k and Homelessness savings of £20k
These savings are as a result of careful budget management.

- xiii) Leisure Centre savings - £65k
Leisure Centre repairs and maintenance and plant replacement is being closely managed with only essential expenditure being made in the run up to the opening of the new leisure centre.
- xiv) Bewdley Museum savings in the costs of repairs and maintenance of buildings / general savings and additional income of £33k
Careful management of this budget has resulted in reduced costs and increased income over most budget areas.
- xv) Additional earmarked reserves new for this year of £250k
The variance analysis includes expenditure to supplement the existing Business Rates Risk earmarked reserve by £100k as detailed in paragraph 4.2 and £150k to replenish the Transformation Fund to assist the Wyre Forest Programme of Transformation.

- 4.4 It is clear that the future financial position for the Council will continue to be challenging in the aftermath of the May General Election with austerity measures already being reaffirmed. The Emergency budget on 8th July 2015 will reveal more about the Governments plans and a review of our position going forward will be undertaken following this date. The reduced level of funding currently programmed for the Council in the future is being mitigated by a raft of transformational reviews being implemented as part of the Wyre Forest Forward programme.
- 4.5 The draft position for 2014/15 demonstrates that through prudent financial management, additional resources of £250,000 were made available to fund additional earmarked reserves as set out in paragraph 4.7.
- 4.6 The transformation fund set up in 2011/12 for one-off implementation costs to support the Wyre Forest Forward programme has been extremely successful in delivering the change programme. This was previously supplemented by an additional £200k from the 2014/15 budget to help fund the challenging savings programme moving forward and this report proposes an additional £150k to supplement this reserve from final account savings. Taking this into account £536k remains from this fund at the end of 2014/15, with £266k being uncommitted.
- 4.7 Cabinet is asked to note additional funding for the following significant earmarked reserves from the surplus in 2014/15. The first is £100k to top up the Business Rates Risk Reserve; the second is £150k to replenish the Transformation Fund.
- 4.8 It should also be noted that, the Working Balance remains at £1m to reflect the significant financial risks faced by this Council as a result of the fundamental changes to the Government Funding Regime in 2014/15, inevitable further austerity measures expected and also the impending Welfare Reform changes.

5. FINANCIAL IMPLICATIONS

- 5.1 The positive variance of £510,800 compared to the Revised Budget, reducing to £260,800 following the creation of additional significant earmarked reserves, resulting in the increased contribution to General Reserves of £553,460 is welcomed. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2015 onwards. This is greater than reported at Quarter 3 budget monitoring. However, a number of events and decisions

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in the last quarter coupled with yearend transactions have led to the increase in the savings. This saving represents less than 1% of total gross revenue expenditure of £55m.

- 5.2 These remain extremely challenging times for this Council given the previous changes to the landscape of the Government's funding regime, and inevitable further revisions that will emerge when the Emergency Budget is published on 8th July. The saving on outturn is welcomed and has been utilised to earmark funds to meet potential liabilities and also to increase General Balances compared to forecast, to mitigate the potential future impact of funding volatility.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 None.

7. RISK MANAGEMENT

- 7.1 The principal risk to the Council is non-achievement of the Accounts and Audit (England) Regulations 2011 deadline, in respect of production and approval of the Statement of Accounts before 30th June 2015, and qualification of the Accounts by the Council's External Auditors.

8. EQUALITY IMPACT ASSESSMENT

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

9. CONCLUSION

- 9.1 This report details the outturn position as at 31st March 2015 and provides information on the creation of further significant earmarked reserves.

10. CONSULTEES

- 10.1 CLT/Cabinet

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit (England) Regulations 2011
Financial Strategy 2015/18
Cabinet Report June 23rd 2015

PROVISIONAL OUTTURN
MAJOR VARIATIONS BETWEEN REVISED BUDGET
AND ACTUAL NET EXPENDITURE FOR 2014/15

Total Revised Budget 2014/15	12,789,130
LESS:	
Actual Net Expenditure - not finalised - still subject to validation	12,574,170
SAVINGS COMPARED TO 2014/15 REVISED BUDGET	<u>(214,960)</u>
Increase in Funding from Business Rates	<u>(45,840)</u>
OVERALL SAVING COMPARED TO REVISED BUDGET INCLUDING FUNDING	<u>(260,800)</u>

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
Chief Executive		
1. Housing Benefit - additional recovery of overpayments		(45,580)
2. Increase in Bad Debt provision for Housing Benefits due to increased identification of fraud and overpayment	45,000	
3. Further reduction in Audit Fee and Bank Charges		(23,880)
Community Well Being and Environment		
1. Green Street - Repairs and Maintenance of Buildings, Utilities and reduced property rental income		(21,860)
2. Depot Transport - Direct materials -for unforeseen essential repairs	47,100	
3. Increased income - Waste contracts including garden and trade		(29,760)
4. Saving in Repairs and Maintenance Public Conveniences - earmarked reserve and capital used for Load Street refurbishment		(45,640)
5. Parks and Green Spaces and other Grounds Maintenance - net additional costs	21,130	
6. Savings in Repairs and Maintenance and increased Income - for the Cemetery		(42,320)
7. Reduced Income - Car Parks - fine income and season tickets, net of reduced running costs	25,740	
8. Saving - Leisure Centres - Maintenance of buildings, grounds and plant replacement		(65,230)
9. Saving - Bewdley Museum - Repairs and Maintenance of Buildings, general expenses and increased income		(33,300)
10. Saving - Kidderminster Town Hall Electricity		(11,220)
Economic Prosperity and Place		
1. Income shortfall - Property section - delay in the sale of lease premiums	122,900	
2. Property Repairs and Maintenance Under spend		(33,400)
3. Improved income - Licensing		(13,460)
4. District Local Development Framework Under spend		(30,000)
5. Carbon Management Savings Not Achieved	33,950	
6. Homelessness saving in costs of service provision		(20,000)
Capital Account		
1. External Interest- additional income from treasury management activities		(25,000)
Corporate Variations		
1. Payroll related savings (including saving of £21k in Car Parking)		(78,950)
2. Admin Expenses - savings		(94,000)
3. Decrease in Sundry Debtor Bad Debt Provision due to extra debt recovery activity		(40,000)
4. Improvement in Business Rates income net of pool adjustments		(45,840)
5. Increase in Business Rates risk reserve	100,000	
6. Miscellaneous Savings		(107,180)
7. Replenishment of Transformation Fund	150,000	
	545,820	(806,620)
REDUCED NET EXPENDITURE ON YEAR 2014/15 - PROVISIONAL		(260,800)