

Open

Audit Committee

Agenda

6pm
Monday, 27th June 2016
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor C Rogers
Vice-Chairman: Councillor A T Hingley

Councillor S Miah
Councillor J D Smith

Councillor J A Shaw
Councillor R J Vale

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.

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 Louisa Bright, Principal Committee and Member Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732763 or email louisa.bright@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Monday, 27th June 2016

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 21st March 2016.	5
5.	Audit Update Report To receive an update report from Grant Thornton in relation to audit progress and update for 2015/16.	8
6.	External Audit Fee Letter 2016/17 To receive an update report from Grant Thornton in relation to the planned audit fee for 2016/17.	20
7.	Internal Audit Monitoring Report Quarter Ended 31st March 2016 To receive a report from the Audit Manager informing Members of the Internal Audit Monitoring Report quarter ended 31 st March 2016.	24

8.	<p>Internal Audit Annual Assurance Report 2015/16</p> <p>To receive a report from the Section 151 Officer and Audit Manager which asks for approval of the Internal Audit Annual Assurance report.</p>	44
9.	<p>Internal Audit Review of Counter Fraud Arrangements for 2015/16</p> <p>To receive a report from the Section 151 Officer and Audit Manager for consideration on measures undertaken in 2015/16 on managing the risk of fraud.</p>	53
10.	<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 2015/16 for inclusion in the Statement of Accounts.</p>	67
11.	<p>Statement of Accounts 2015/16</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 2015/16. (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>	75
12.	<p>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
13.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2 - Not open to the Press and Public

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

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER

21ST MARCH 2016 (6PM)

Present:

Councillors: J Phillips (Chairman), T A Muir (Vice-Chairman), P Dyke, A T Hingley and J D Smith.

AUD.18 Apologies for Absence

There were no apologies for absence.

AUD.19 Appointment of Substitutes

There were no appointments of substitutes.

AUD.20 Declarations of Interests by Members

No declarations of interest were made.

AUD.21 Minutes

Agreed: The minutes of the meeting held on 30th November 2015 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.22 Audit Update

The Committee considered a report from Grant Thornton which updated Members on the progress made in delivering their responsibilities as the Council's external auditors.

The Manager, Zoe Thomas, led Members through the report and outlined the progress made. In response to a question regarding the increasingly important role Members play in ensuring good governance and effective management of change and risk, the Associate Director, Richard Percival assured Members that they would receive appropriate training and support from both Council Officers and the External Auditors.

Agreed: The update be noted.

AUD.23 Certification Report

The Committee received a report from Grant Thornton on the certification work for year ended 31st March 2015. Richard Percival presented the report and advised that no significant matters had been raised during the audit.

Agreed: The report be noted.

AUD.24 Informing the Audit Risk Assessment

The Committee received a report from Grant Thornton which informed the audit risk assessment for the Council.

Zoe Thomas led Members through the report and was assured by the responses received from the Authority's management. The Chairman thanked the Auditors for the huge amount of work which had gone into producing the report.

Agreed: The report be noted.

AUD.25 Grant Thornton – The Audit Plan for Wyre Forest District Council

The Committee received a report from Grant Thornton on the Audit Plan for the Council. Richard Percival presented the report and advised that the plan set out an overview of the planned scope and timing of the audit.

The Members were led in depth through the report and advised that the audit findings would be presented to the Audit Committee in September 2016.

Agreed: The report be noted.

AUD.26 Presentation on the Accelerated Accounts Closedown

The Committee received a presentation from the Finance Manager on the accelerated accounts closedown.

The presentation set out the various steps involved in the approval and publication of the final accounts. Members were advised the acceleration of the accounts closedown would cut 2 months out of the process, and would be achieved by taking the volume out of the year end process. The roles of the Finance Team, budget holders and External Auditors in achieving this was outlined, and the importance of having full co-operation and continuous input from Senior Managers was emphasised.

Richard Percival advised that the Council had a good track record of reconciling their accounts and had built up a strong working partnership with Grant Thornton.

Agreed: The presentation be noted.

AUD.27 Internal Audit – Annual Audit Plan 2016/17

The Committee received a report from the Section 151 Officer and the Audit Manager which informed Members of the Internal Audit – Annual Audit Plan 2016-17, which had been prepared in accordance with the UK Public Sector Internal Audit Standards as endorsed by the Audit Committee on 2nd December 2013.

Members were led through the report and advised that the areas in the plan had been identified by an objective risk assessment and the Section 151 Officer had discussed the plan with the Corporate Leadership Team for their requirements for the forthcoming year.

Agreed:

- 1. The Internal Audit – Annual Audit Plan 2016-17, set out as Appendix 1 of the report, be approved.**
- 2. Approve that the Chief Financial Officer as Section 151 may amend the plan in consultation with the Audit Manager in light of developments arising during the year as described in paragraph 3.6 of the report.**

AUD.28 Internal Audit Monitoring Report Quarter Ended 31st December 2015

The Committee received a report from the Audit Manager which informed Members of the work undertaken by the Internal Audit Team in the quarter ended 31st December 2015.

Members were advised that since November 2015, the Corporate Apprenticeship fund had provided the resource for an Internal Audit Apprentice which was proving to be a very valuable asset to the team.

Agreed: The Internal Audit Monitoring Reeport for the quarter ended 31st December 2015, as set out in the appendix to the report, be noted.

AUD.29 Annual Governance Statement

The Committee received a report from the Chief Financial Officer which presented the current position in relation to the action plan which had been developed to address the issues identified within the 2014/15 Annual Governance Statement.

Members were led through the report and considered each page of the action plan in turn. It was noted that the newly created Corporate Fraud Investigator/Corporate Debt Recovery Offier was proving very effective.

Agreed: The progress against the Annual Government Statement Action Plan 2014/15, as set out at Appendix 1 of the report, be approved.

AUD.30 Risk Management

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

The Chief Financial Officer led Members through the report and appendices. It was noted that the Council had done well with the savings programme however there were challenging times ahead.

Agreed: The Corporate Risk Register and the associated mitigating actions as at 31st January 2016 and the 2016/19 Budget Risk Matrix be noted.

There being no further business, the meeting ended at 7.07pm.

Audit Committee
Wyre Forest District Council
Progress Report and Update
Year ended 31 March 2016

June 2016

Richard Percival

Associate Director

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E richard.d.percival@uk.gt.com

Zoe Thomas

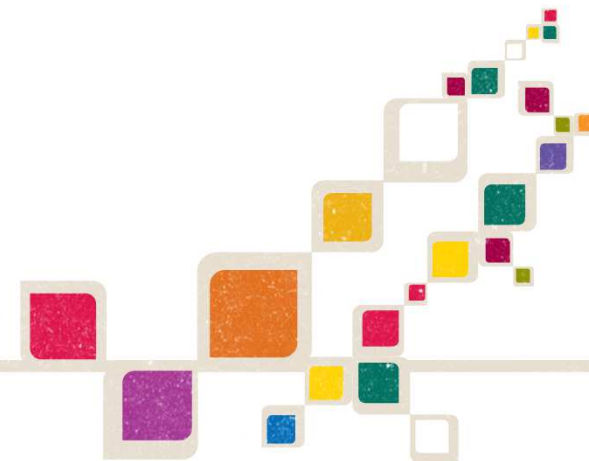
Senior Manager

T 0121 232 5277

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



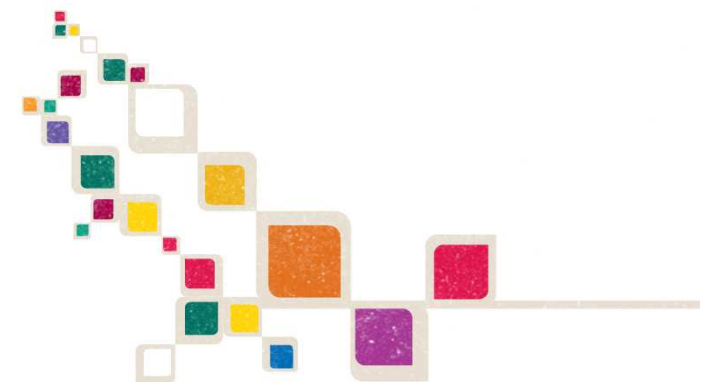
Introduction

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

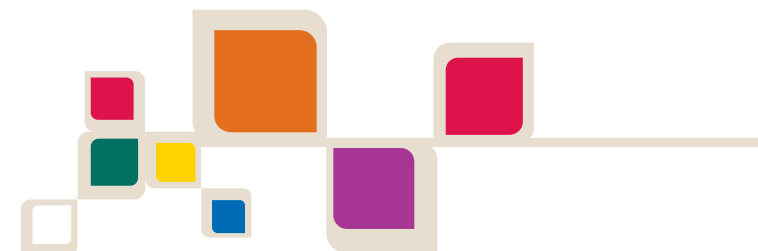
Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

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 Engagement Manager.

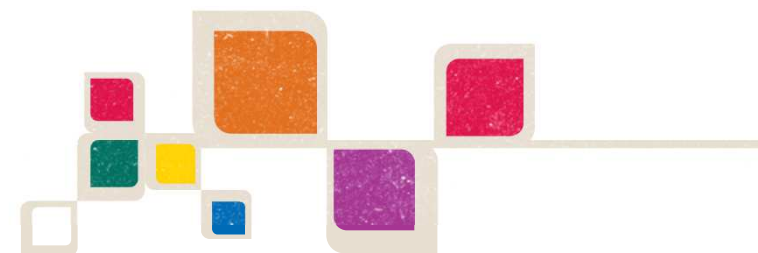


Progress at June 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015</p>		Yes	The 2015/16 fee letter was issued in April 2015
<p>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 2015-16 financial statements.</p>	March	Yes	Our audit plan was presented to the Audit Committee in March. Pages 6 and 7 are an update to that plan highlighting that we now also consider that pensions are a significant risk. This does not reflect any particular new risks at Wyre Forest but the national view that pensions are a significant risk area in local government accounts, due to the value and the number of subjective assumptions.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	January - February and April	Yes	Our interim audit work is complete. This included early audit testing to support a more efficient final accounts audit. We had routine meetings with the Finance Team to discuss emerging accounting issues and discuss progress.
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	June - July	Not started	We are planning to complete our audit fieldwork by the end of July 2016 as part of the transition to the earlier closedown and audit cycle from 2018. We are working with the Finance Team to support improvements in accounts production efficiency and the project management of the audit visit.

Progress at June 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	March - July	On-going	<p>We have considered the potential significant risks for our VfM conclusion and these are referred to in the audit plan.</p> <p>We will carry out key document reviews and interviews to inform our conclusion.</p>
<p>Other areas of work</p> <p>Meetings with Members, Officers and others</p>	On-going		<p>We are continuing to hold regular meetings with key officers of the Council.</p> <p>Finance staff have attended a training session we held on final accounts technical issues.</p> <p>We gave a presentation of our CFO Insights system to the Finance team.</p> <p>We have had extensive discussion and review of the revisions to property plant and equipment.</p>

Revision to the audit
plan presented in
March 2016



Significant risks identified – supplement to audit plan

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Wyre Forest District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wyre Forest District Council, mean that all forms of fraud are seen as unacceptable.
<p>Management over-ride of controls</p>	<p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management and setting out our journal testing strategy <p>Further work planned:</p> <ul style="list-style-type: none"> • Further review of accounting estimates, judgments and decisions made by management • Testing of 'unusual' journal entries (up to month 9 tested at interim) • Review of unusual significant transactions

Significant risks identified (supplement continued)

Significant risk	Description	Substantive audit procedures
<p>Valuation of Investment and surplus assets in line with the requirements of IFRS13.</p>	<p>Officers have considered the requirements of IFRS 13. An asset management plan is also in the process of being agreed by Council. These two factors mean that there are likely to be changes in previous assumptions around the classification and valuation of assets. The impact is likely to be material.</p>	<p>In addition to the normal testing strategy for non current assets, we will review the reasonableness of the changes that the council are proposing to make to the classification and valuation of these assets. We will also consider whether there is adequate information to enable the council to make disclosures in line with the Code and updated IFRS 13 requirements.</p>
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Grant Thornton Publications and events



Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

Grant Thornton reports

 Grant Thornton
An instinct for growth™

ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Future events and workshops

Joint Venture Seminar on 28th July -

Following publication of our 'Better Together' report we are running a workshop in our Birmingham offices. The session will include presentations from the practitioners interviewed in preparing our report> The event and will provide an invaluable insight into setting up and running joint venture companies

For further information or to book your place, please contact your Audit Manager or Penny Bassnett T +44 (0)121 232 5356

penny.l.bassnett@uk.gt.com

Income generation workshop on 28th September - this is currently being planned so watch out for more news on this.

Grant Thornton events





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21st April 2016

Dear Tracy

Wyre Forest District Council – planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset. CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset. We do not anticipate that Highways Network Assets are likely to be significant at Wyre Forest District Council and we are not expecting to request a fee variation for this matter.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £48,936.

The audit planning process for 2016/17, 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

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

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.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

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

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by PSAA at £9,165. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes. If there is a significant variation in the amount of testing required to comply with 'HB Count' testing of the Housing Benefit Subsidy claim we will discuss this with you before requesting a fee variation.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	12,234
December 2016	12,234
March 2017	12,234
June 2017	12,234
Total	48,936

Grant Certification

March 2017	9,165
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Outline audit timetable

We will undertake our audit planning and interim audit procedures in November to February 2017. 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 by July 2017 and work on the whole of government accounts return in July 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November to February 2017 – issue to March Audit Committee	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June - AFR to July Audit committee	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to June – report to July audit committee	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.

Annual audit letter	September 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	In line with department deadlines	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Richard Percival	0121 232 5434	richard.d.percival@uk.gt.com
Engagement Manager	Zoe Thomas	0121 232 5277	zoe.thomas@uk.gt.com
In charge auditor	Kate 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 Mark Stocks, our Public Sector Assurance regional lead partner, via mark.c.stocks@uk.gt.com.

Yours sincerely

Richard Percival
 Engagement Lead
 For Grant Thornton UK LLP

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
27TH JUNE 2016

INTERNAL AUDIT MONITORING REPORT
QUARTER ENDED 31ST MARCH 2016

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 2016

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st March 2016, 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 2016 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 2015~16 in March 2015. This plan takes into account changes in priorities and risk and provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority
- 3.3 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.
- 3.4 The Report attached as an Appendix contains 6 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 2015~16 Annual Audit Plan
- Section 5 **Performance Statistics & Additional Assurance work undertaken**
- Section 6 Summary of Final Reports issued in the period 1st April 2015 to 31st December 2015.

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.

- 3.5 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. The final audit report will recognise those areas of improvement and recommendations promptly actioned during the course of the audit, in order to raise the overall level of assurance given by Internal Audit at the completion of the full review.
- 3.6 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 the respective Corporate Leadership Team member and their nominated service manager{s} for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.
- 3.7 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.
- 3.8 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.
- 3.9 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.
- 3.10 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.

- 3.11 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 Regulations 2015 section 5(1) require that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

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 2016 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

11. BACKGROUND PAPERS

- 11.1 25th March 2015 ~ Audit Committee ~ Internal Audit Annual Audit Plan 2015~16
http://www.wyreforest.gov.uk/council/docs/doc49937_20150330_audit_agenda.pdf
(Agenda Item 9)
- 24th March 2014 ~ Audit Committee ~ Internal Audit Charter
Accounts and Audit Regulations 2015 (SI 234)
http://www.wyreforest.gov.uk/council/docs/doc48931_20140324_audit_agenda.pdf
(Agenda Item 12)

INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st MARCH 2016**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31st MARCH 2016

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SECTION 6 Summary of Final Internal Audit Reports issued in the period 1 st April to 31 st December 2015 (Key Systems) Cheryl Ellerton AUDIT MANAGER	43
Tracey Southall SECTION 151 OFFICER	

1st June 2016

SECTION 1

Quarter Report to the 31st March 2016

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.

THERE ARE NO REVIEWS TO REPORT FOR THIS QUARTER. THIS SECTION HAS BEEN LEFT FOR CONTINUITY.

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2016		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems (Annual Assurance Reviews)		
2015~16 Accounting {Income/Expenditure to Bank} ~ Bank Reconciliations	F	-
2015~16 Accounting & Budgetary Control ~ Journals	S	32
2015~16 Accounts Receivable ~ Reconciliations	F	-
2015~16 Benefits Compliance {Housing Allowances}~Entitlement/Payments 2015~16 Benefits Compliance {Housing Allowances}~Recovery of Overpayments	S	33
2015~16 NNDR Compliance	F	-
Computer Audit Reviews		
2015~16 ICT Governance ~ Cyber Security	S	34
2015~16 ICT Governance ~ System Back Up Arrangements	S	35
Contract Audit Reviews		
Monitoring of Contract for Construction of the New Leisure Centre	N/A	-
Subsidiary System (Annual Assurance Reviews)		
2015~16 Fees & Charges {Road Closures}* 	S	36

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.

*** Note to Reader:**

The Road Closure review was undertaken as one of several areas subject to the annual Fees and Charges review included within the Audit Plan, and further reviews under within the category of Fees & Charges will be presented to a Audit Committee for completeness. In addition, the work from this review assisted in the move to a paperless administration of the Road Closure arrangements

AUDIT REPORT TITLE: Journals 2015-16 {Subsidiary of Budgetary Control & Monitoring}		ACTION PLANS: N/A		SERVICE: Chief Executive Office (Accountancy)	
BUDGET: N/A REF: N/A		DRAFT REPORT DATE ISSUED: 22nd February 2016		RESPONSE RECEIVED DATE: 22nd February 2016	
FINAL REPORT DATE ISSUED: 23rd February 2016					
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.				
<p>Overview: This Audit forms part of the annual assurance reviews undertaken as part of the 2015-16 annual audit plan and supports the final accounts audit undertaken by the Council's external auditors.. The review sought to ensure that the system in place for journal transfers complied with control objectives; that each journal is uniquely referenced; includes adequate narrative explaining the transfer and are correctly authorised and that Journals are not being actioned to prevent full authorisation of virements.</p> <p>A sample of journals was examined to ensure that they were created and authorised by appropriate employees. For the journals raised, checks were made to confirm that the transfers had been correctly posted into the Agresso (Financial Management System) with supporting relevant documentation i.e. uniquely referenced with appropriate narrative. The sample included high and low values, rounded sums, an ear marked reserve, the same amount recurring, several journals that were actioned on the same day and journals processed with weekend dates. A report detailing journals raised and posted to Agresso (FMS) by the Accountancy Team was examined to verify that they were reviewed independently.</p> <p>A report detailing the 1093 journals actioned during the month of November 2015 was reviewed. Within this sample, 25 journals were examined in detail to include an ear marked reserve. All journals entries examined were authorised and supported by documentation evidencing the reason for the journal. Of the 1093 journals, 106 (9.70%) related to corrections/reversing of transactions miscoded, and the majority of these related to the miscoding of income posted directly into the general ledger. Journals raised by the Accountancy Team are printed off and reviewed by a Principal Accountant on a quarterly basis.</p> <p>Conclusion: On the basis of the work undertaken, the review concluded that on the whole the internal controls in place for the raising and posting of Journals to the Agresso (FMS) system is well managed. However, there were opportunities for improvement as recommended to further enhance the system. The overall conclusion therefore, is that SOME assurance can be given on the internal controls in place for this processing and reconciliations of Journals within the financial records.</p>					

AUDIT REPORT TITLE: Housing Benefits Compliance Testing 2015-16	ACTION PLANS: 1st October 2015	SERVICE: Chief Executives (Revenues & Benefits)
BUDGET: Estimated Benefit Payments £34,538,000 (2015-16)	DRAFT REPORT DATE ISSUED: N/A	
REF: A280 BENEFIT PAYMENTS	FINAL REPORT DATE ISSUED: 21st March 2016	RESPONSE RECEIVED DATE: N/A

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 2015-16. 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 Allowances

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 covering April 2015 – January 2016 was undertaken throughout the year. Following the first phase of testing, the Revenues, Benefits and Customer Services Manager was advised that there were no issues arising. Following completion of the final phase of testing there was one issue in respect of details from a claimants payslip being recorded incorrectly resulting in an overpayment of entitlement. In liaison with the Principal Benefits Officer this was dealt with promptly and the claimants account amended accordingly ensuring collection of the overpaid housing allowance.

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 the system is well managed. Detailed clarification was provided by the Principal Benefits Officer throughout the audit review, and in respect of the single matter arising, it was for a small element of the overall Benefits assessment process. In view of the prompt action taken by the Revenues, Benefits and Customer Services 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.

AUDIT REPORT TITLE: ICT – Cyber Security Controls (Secure Configuration, Network Security, User Privileges & Incident Management) BUDGET: REF:	ACTION PLAN : Verbal Update 22 nd April 2015/Revisited August 2015 DRAFT REPORT DATE ISSUED: 5 th January 2016 {Q3 31.12.15} FINAL REPORT DATE ISSUED: 8 th March 2016	SERVICE: Chief Executive (Information Communications Technology) RESPONSE RECEIVED DATE: 4 th March 2016
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview:

In accordance with the 2015–16 Internal Audit Plan, the Cyber risks and controls were reviewed and assessed as part of an ICT Governance. The Councils current cyber security measures were assessed against a cyber security document, issued by the Communications Electronics Security Group (CESG- the information security arm of GCHQ), . The CESG report was aimed at reducing the Cyber Risk in 10 critical areas. This Internal Audit review focused on four areas included in the CESG document; secure configuration, network security, user privileges & incident management. These areas were also reviewed by the Councils External Auditors and where appropriate reliance has been placed on their work during this Internal Audit review.

Cyber risk is defined as any risk of financial loss, disruption or damage to the reputation of an organisation that arises from the failure of its information technology systems.

The Council ICT networks are protected using by anti virus software, firewalls, email and web filters; network traffic is also monitored. Firewalls are configured to industry best practice and scheduled penetration tests are undertaken to test both internal and external vulnerabilities. Mobile communications devices are protected by software configured to best practice and Public Sector Network{PSN} guidelines.

Council policies were reviewed and updated in April 2015 and were made available on the Councils Intranet; all Council employees were required to formally acknowledge the new ICT policies. The Data Protection Officer is responsible for security training currently no formal training has been delivered however, it is intended to deliver some formal training commencing with the Corporate Leadership Team and WF20 Managers early 2016; additionally incident management training and incident management testing has yet to be undertaken on a formal basis; this will form part of the corporate resilience training.

Conclusion:

On the basis of the work undertaken, the review has concluded that the systems in operation to manage Cyber Security are well managed; however, there are opportunities for improvement to the systems in operation to ensure a more proactive approach to training including incident management.. The overall conclusion therefore, is that **SOME** assurance can be given in that the internal controls in place in respect of Cyber Security Controls across the Council are considered adequate with some areas requiring enhancement to further reduce the on going risk to the Council.

AUDIT REPORT TITLE: 2015~16 ICT System Back Up Arrangements {ICT Governance}	DRAFT REPORT DATE ISSUED: 20th November 2015	SERVICE: Chief Executive (ICT)
BUDGET: R431 IT Administration	FINAL REPORT DATE ISSUED: 3rd March 2016	RESPONSE RECEIVED DATE:
REF: ESTIMATED SHARED SERVICES INCOME £7500		1st March 2016

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:

As part of the ICT Governance reviews which form part of the 2015~16 Internal Audit Plan, this review concentrated on the Back Up of the Council’s ICT systems. The report specifically focused on how Back Up’s are performed, that they are undertaken in a secure manner and that they are tested. The review was carried out in consultation with the Project Leader (Operational & Network Support).

The Council ICT Back Up systems are managed from Wyre Forest House with the main back up facility, replicating all back up data held, based off site in accordance with best practice; these systems include Back Up facilities for Third Parties covered by a Service Level Agreement. Both sites are fitted with environmental monitoring equipment for temperature, humidity, water leaks and fire suppression as well as CCTV, intruder alarms and restricted access. In line with Council policies automatic Back Up’s are scheduled to run regularly; Back Up logs are created and reviewed with, any issues arising being dealt with by Senior members of the ICT Team. Real time replication of servers is in operation. Changes to processes are verified to ensure they work appropriately.

Back Up tapes are regularly changed and held securely. The ICT team are continually monitoring and reviewing best practice to ensure the processes they operate future proof the needs of the Council and meets the needs of any third party tenants using Council facilities.

Conclusion:

On the basis of the work undertaken, the review has concluded that the systems in operation for the Back Up of the Councils ICT systems are well managed. However there are opportunities for improvement. The overall conclusion, therefore, is that **SOME** assurance can be given in that the internal controls in place in respect of Back Up across the Council are operating effectively.

AUDIT REPORT TITLE: Fees and Charges – Road Closures 2015-16	DRAFT REPORT DATE ISSUED: 30th November 2015	SERVICE: Chief Executive’s {Legal Services/Corporate Admin Team}
BUDGET: £3,430 Original 2015/16 REF: R515	FINAL REPORT DATE ISSUED: 3rd March 2016	RESPONSE RECEIVED DATE: 1st March 2016

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

Overview:

This audit review has been undertaken in accordance with the approved Annual Audit Plan 2015-16 as part of the Fees & Charges review. The audit concentrated on the arrangements in place in respect of the administration for the Fees and Charges levied by the Council for 2015-16; that the charges are formally approved by Council; publicised and; income is collected, promptly banked and recorded in the Agresso Financial Management System in accordance with Financial Regulation 9.3.

This review covered the arrangements for Road Closures and included documenting the procedure from processing road closure applications to recording of the payment and testing against this process.

Section 21 of the Town Police Clauses Act 1847 makes provision for the making of Road Closing Orders to control traffic in connection with parades and events taking place on roads. Road Closure Orders are generally granted in respect of public events such as carnivals, festivals, spring fairs, street parties, marathons and rallies.

Road closure fees and charges 2015-16 were approved as part of the Financial Strategy 2015-18 at Council on 25th February 2015 (C.77).

A sample of five Road Closure Order applications were selected to ensure fees and charges were correctly and accurately applied. The testing confirmed that fees had been approved and publicised, charges were correctly displayed on the website. Income was received in all circumstances, promptly banked and correctly recorded in the financial management system (Agresso). Road Closures are exempt from VAT. Of the five applications examined it was found that one had not been officially sealed. Four of the applications had not been date stamped with a formal date received by WFDC.

Conclusion:

On the basis of the work undertaken, the process for collection, banking and recording income is operating as intended for which **FULL** assurance can be given. However the review concluded that there are opportunities to further enhance the procedure for processing road closure order notices. The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place for Road Closure Orders.

SECTION 3

Quarter Report to the 31st March 2016

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2016		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT

THERE ARE NO REVIEWS TO REPORT FOR THIS QUARTER. THIS SECTION HAS BEEN LEFT FOR CONTINUITY

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 2015~16 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31st March 2016		Status	Action Plans			
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.16	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	DATE OF COMPLETION OF FIELD WORK
RA74	<u>Core Financial Systems (Annual Assurance Reviews)~</u> <u>2015/16 Annual Audit Plan</u> <u>Accounting Cash To Bank</u> Corporate Income To Bank	Stage 4	-	-	-	18.03.16
RA94	<u>Budgetary Control & Monitoring</u>	Stage 4	-	-	-	02.05.16
RA88	<u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u> Council Tax Reduction {Local Scheme} ~ Compliance	Stage 4	-	02.10.15	-	15.04.16
RA82	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 4	-	-	15.12.15	06.05.16
RA80	<u>Council Tax</u> Ctax Reconciliations ~ {To include Gross Debit 2015/16}	Stage 6	-	16.10.15	-	24.05.15 (Final Report)
	Ctax Compliance/Recovery	Stage 4	-	-	-	28.04.16
RA80	<u>Creditors (Accounts Payable)</u> Creditors {Accounts Payable} ~ Compliance	Stage 4	06.07.15	-	-	15.04.16
	Creditors {Accounts Payable} ~ Reconciliation	Stage 4	-	-	-	15.04.16
RA89	<u>Debtors (Accounts Receivable)</u> Debtors {Accounts Receivable} ~ Compliance	Stage 4	-	-	-	13.04.16
RA71	<u>Establishment</u> Establishment Reconciliation	Stage 4	-	-	-	15.04.16
	Establishment {Staff Record Forms}	Stage 4	-	-	-	15.04.16
RA84	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations ~ {To include Gross Debit 2015/16}	Stage 6	-	01.10.15	-	24.05.15 (Final Report)
RA85	<u>Payroll (Including Mileage & Subsistence Claims)</u> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^	Stage 4	-	-	11.11.15	28.04.16
	^ <u>Field Work includes Local Government Pension Scheme & Local Pay Award</u>					
	Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 4	-	-	-	28.04.16
RA103	<u>Treasury Management</u>	Stage 4	-	-	-	03.04.16

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 Audit Manager
- Stage 3 Field Work In Progress ~ {With Individual Auditor}
- Stage 4 Audit Complete awaiting review by Audit Manager
- Stage 5 Draft Report Issued
- Stage 6 Final Report Issued

SECTION 5

Performance Against Annual Plan For The Financial Year 2015/16

Year to 31st March 2016

	<u>Year To Date Actual Days</u>	<u>Annual Plan Days</u>	<u>Year to Date Actual as a % of Plan</u>
System and Probity	262.00	289	90.66%
ICT Audit (Governance, Advice & Assistance)	14.25	40	35.63%
Contract Audit/Procurement	41.25	25	165.00%
Consultancy and Advice	39.75	50	79.50%
Contingency for Investigations	32.75	20	163.75%
Specific Service Duties	32.00	25	128.00%
Sub Total	422.00	449	93.99%

TARGET

95.00%

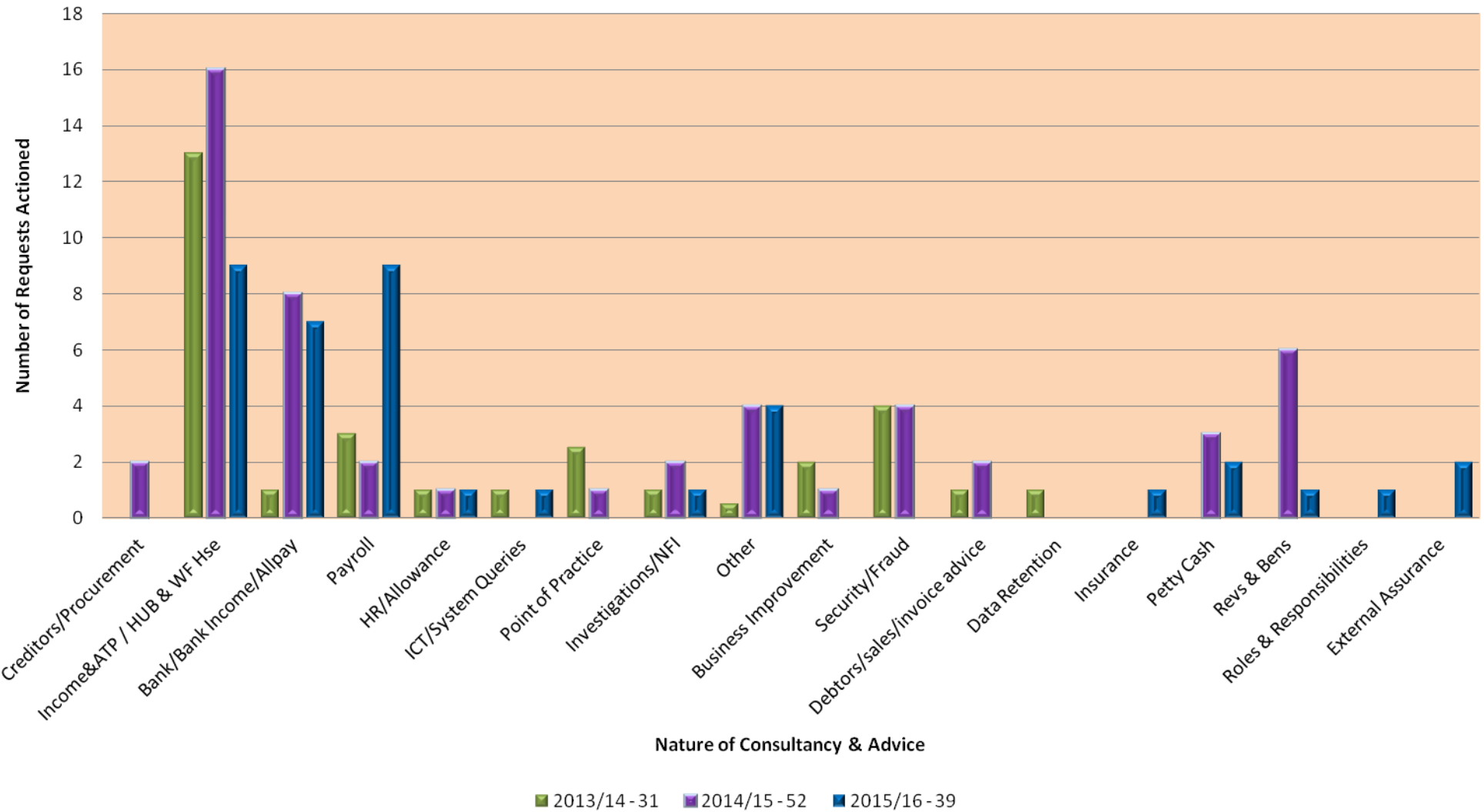
95.00%

Audit Resource Statistics

➔ Overall for the full financial year of 2015/16 **93.99%** of the audit plan has been achieved against the target of 95% in comparison to a **94.43%** for the 2014/15 financial year.

➔ Within the time allocated in the above table, during this fourth and final quarter of 2015~16 the Internal Audit Team have responded to 39 requests for advice and consultancy as categorised in the graph overleaf, in comparison to the 52 requests received and actioned for the same period for 2014/15 and the 31 requests received and actioned for the same period in 2013/14.

Comparison of Audit Consultancy & Advice Quarter 4 (January to March) 2013/14, 2014/15 & 2015/16



Additional Assurance Work Undertaken by Internal Audit

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, however time has been allocated within the Internal Audit Annual Plan as approved by the Audit Committee in March 2015 as summarised below:-.

Information Communications Technology (ICT)

- Continuation of the full review of the corporate ICT policy to include full acknowledgement by all Staff.
- Assistance to the Human Resources Team in the implementation of electronic staff record forms.
- Attend the ICT Security Group; assist the Data Management and Transformation Officer in his role as Data Protection Officer for the Council.

Contracts & Procurement

- Continued monitoring of the spend against the Public Realm Scheme.{Capital Scheme}
- Review the Procurement Card Guidance with the implementation of new p-cards.
- Assist with a fundamental review of the Corporate Contract Procedure Rules & Financial Regulations. **NB:** Approved by Council 25.05.16
- Review corporate petty cash spend to enable a full implementation of the corporate procurement cards resulting in a formal paper presented to the Corporate Leadership Team with agreement to discontinue with petty cash from April 2016.

Wyre Forest Forward ~ Interventions

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

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 Audit Team is to ensure that risk is mitigated in the event of proposed changes to current systems and maintain good governance and financial systems resilience.

Corporate Issues

During the quarter, Internal Audit have also undertaken work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office.

Other corporate issues have also featured within the work of the audit team whereby specific projects have been commissioned requiring Internal Audit assistance in the review of protocol and procedures for which a formal Outcome report has been issued to the Service Manager commissioning the review. During this third quarter independent reviews were undertaken in respect of

→The end of day banking procedures at the Bewdley Tourist Information Centre following the introduction of a new cash till operating an EPOS {Electronic Point Of Sale} for ease of income coding and recording within the Financial Ledger.

→The process in place for the management of homelessness paperwork and records, with a view to reduce the amount of paperwork physically held.

Internal Audit Apprenticeship

During this quarter, the Internal Audit Apprentice whilst not factored into the Internal Audit Plan as the post is being funded in accordance with the corporate apprenticeship programme, has continued to contribute to providing assurance on corporate governance within the Council, by undertaking enhanced testing of the audit areas identified within the approved plan, in particular with the review of Accounts Payable {Creditors}, Accounts Receivable {Debtors}, Cash Income to Bank {Car Parks}, Payroll to include Members and Journals as part of the Budgetary Control review.

In addition, the Apprentice has supported the Internal Audit Team with the Wyre Forest Forward Programme and interventions, to include the as part of the Finance Intervention more structured management of the Trade Waste Contracts, including the raising of the Invoices and then pursuing non payment.

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 1ST APRIL 2015 TO 31ST DECEMBER 2015 - KEY SYSTEMS	
QUARTER ENDED 30TH JUNE 2015	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2014~15 Accounts Payable {Corporate Creditors} ~ Compliance	S
2014~15 Accounts Payable {Corporate Creditors} ~ Reconciliations	S
2014~15 Budgetary Control & Monitoring {Financial Journals}	S
2014~15 National Non Domestic Rates ~ Reconciliations	F
QUARTER ENDED 30TH SEPTEMBER 2015	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2014~15 Housing Benefits Reconciliation Procedure {Overpayments}	S
2014~15 Council Tax Reconciliation Procedures {Including Gross Debit}	S
QUARTER ENDED 31ST DECEMBER 2015	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2015~16 Income to Bank {Housing Act Advances}	F

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
27TH JUNE 2016**INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2015/16**

OPEN	
CABINET MEMBER	Councillor Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
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APPENDIX	Appendix 1 - Internal Audit Annual Assurance Report – 2015/16

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Annual Assurance Report for 2015/16.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee is asked to APPROVE the Internal Audit Annual Assurance report for 2015/16 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 Audit Manager, prepare an Annual report to the Audit Committee on the Council's internal control environment. This report should:

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- 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 Regulations 2015 requires the Council to conduct a review to ensure that it has a sound system of internal control. 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 2015~16 together with those of the previous year are as follows:

		KEY SYSTEMS Assurance Level			SUBSIDIARY SYSTEMS Assurance Level			TOTAL
		Full	Some	Limited	Full	Some	Limited	
2015-16	Number	11	19	0	3	1	0	34
2014-15	Number	7	24	0	2	4	0	37

- 4.7 The results of this table give an overall perspective only, it should be noted 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 2015/16 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 Regulations 2015. 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.
- 4.10 The UK Public Sector Internal Audit Standards were formally adopted by the Audit Committee in December 2013. The new standards 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. A review of compliance against these standards will be presented to the September 2016 Audit Committee, along with options for an external assessment which is a requirement of the new Standards.
- 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 Regulations 2015 section 3 {Responsibility for Internal Control} require that:-

“A relevant authority (The Council) must ensure that it has a sound system of internal control which :-

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective ; and

(c) includes effective arrangements for the management of risk”

6.2 The Accounts and Audit Regulations 2015 section 5 (1) {Internal Audit} require that:

“A relevant authority (the Council) must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

6.3 The Accounts and Audit Regulations 2015 section 6 (1) {Review of Internal Control} require that:-

“A relevant authority (the Council) must each financial year, conduct a review of the effectiveness of the system of internal control required by regulation 3.”

“Prepare an annual governance statement”

The annual report attached as an appendix to this report forms part of this review and contributes to the preparation of the Annual Governance Statement which is considered elsewhere on the agenda of this Committee.

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 2015/16 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 28th September 2015 and 21st March 2016. 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 - 2015/16 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 2015/16. 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 had improved during 2015/16 and remains satisfactory.
- 9.4 A review of the effectiveness of internal audit for the financial year 2015/16 has been undertaken in accordance with current guidelines.

10. CONSULTEES

- 10.1 Corporate Leadership Team
10.2 Cabinet Member for Resources

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2015 (SI 234)
<http://www.legislation.gov.uk/uksi/2015/234/contents/made>
25th March 2015 ~ Audit Committee ~ Internal Audit Annual Audit Plan 2015~16
http://www.wyreforest.gov.uk/council/docs/doc49937_20150330_audit_agenda.pdf
30th June 2014 ~ Audit Committee ~ Self Assessment: Compliance with the UK Public Sector Internal Audit Standards
http://www.wyreforest.gov.uk/council/docs/doc49148_20140630_audit_agenda.pdf
(Agenda Item 8)
24th March 2014 ~ Audit Committee ~ Internal Audit Charter
http://www.wyreforest.gov.uk/council/docs/doc48931_20140324_audit_agenda.pdf

WYRE FOREST DISTRICT COUNCILINTERNAL AUDIT ANNUAL ASSURANCE REPORT – 2015/16Internal Control Environment

The Council's Financial Procedure Rules (Financial Regulations) state that it is the responsibility of Service Managers to ensure that there are controls in place for every system under their management. These internal controls include those to prevent and detect fraud in accordance with the Council's anti fraud and corruption policies.

The work of the Internal Audit Section relating to the financial year ended 31st March 2016 has been undertaken in accordance with the approved Audit plan 2015/16. The work undertaken has met the requirements of the Council's External Auditors and by compliance with the UK Public Sector Internal Audit Standards.

The results of this work have been reported to the Audit Committee in quarterly reports on the 28th September; 30th November 2015; 21st March and 27th June 2016. These reports include a summary of the work undertaken in each quarter.

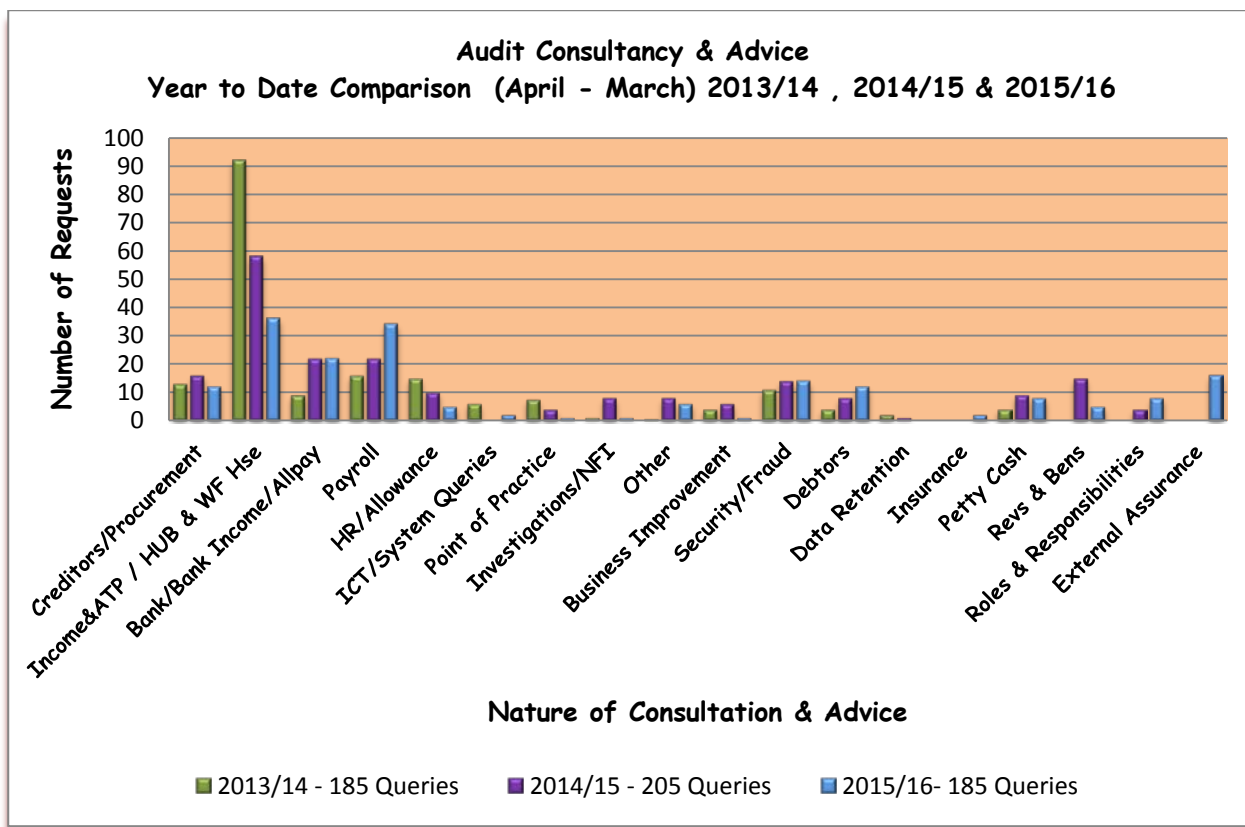
The internal control weaknesses identified from final and draft reports relating to the 2015/16 financial year have been considered in the preparation of this annual report. Where control weaknesses were identified, Management action plans are in place and are subject to ongoing review.

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

Year ended 31st March 2016

	Plan Days	Actual Days	Actual as % of Plan %
System and Probity	289	262.00	90.66%
Computer Audit	40	14.25	35.63%
Contract Audit	25	41.25	165.00%
Consultancy and Advice	50	39.75	79.50%
Contingency for Investigations	20	32.75	163.75%
Specific Service Duties	25	32.00	128.00%
SUB TOTAL	449	422.00	93.99%

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 2015~16, 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 2015/16 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 current CIPFA/SOLACE Corporate Governance Framework. Subsequently the implementation has been subject to reviews as considered by the Audit Committee 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 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 –2015/16 (CONTINUED)

Internal Control Environment (Continued)

- The findings and recommendations of the External Auditors reported to the Audit Committee on 28th September 2015 as part of the 2014/15 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 30th November 2015. The key areas for the Council's attention included:-
 - ❖ recognition that the Council had acted on previous year recommendations,
 - ❖ that in all significant respects the Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources in particular adequate arrangements in place for securing financial resilience with strong performance management and budgeting systems in place to include a prudent approach to the recognition of non domestic business rates income and the planned disposal of the two existing leisure centres.

Review of the effectiveness of the system of internal audit

Work has been undertaken in accordance with the approved Internal Audit plan for 2015/16 and 93.99% of this plan has been completed by June 2016. 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. A review of the self assessment to be presented to the Audit Committee in September 2016.

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 2015/16 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.

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.

The Internal Audit Team was restructured in 2014~15 as part of the required reductions in corporate support services for 2014~15. The core restructure of the Internal Audit Team remained unchanged for 2015/16 ensuring that it meets the staff resources required to audit the risks of the Council and continue to provide management with an opinion of the

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control environment within the annual internal audit opinion ensuring that there remains adequate resources for the continued provision of an effective Internal Audit Service.

From November 2015, the Corporate Apprenticeship fund is providing resource for an Internal Audit Apprentice as part of the Internal Audit succession planning, to ensure continuity in view of potential changes within the Internal Audit Team from November 2017. This new training post is working well and contributing to the internal audit of the Council as required by the Accounts and Audit Regulations 2015.

During 2015~16 additional audit days have been worked to provide necessary assurance on Payroll, HR21, and Corporate Interventions in particular, the Finance Intervention, Housing & Grants Intervention, and the Garage & Depot interventions.. These have been funded either by Redditch Borough Council who have commissioned specific projects {Payroll/HR21} or from transformational reserves.

During 2015~16, the Internal Audit Team at the specific request of the Service Mangers have also been involved in several projects designed to add value to current procedures where changes have been reviewed to ensure key controls are not compromised.. These projects have been accommodated within the approved audit plan and included:-

- additional commissioned work with the Cultural Service Manager at the Bewdley TIC and Museum to review the end of day banking procedures following the introduction of a new cash register operating an EPOS {Electronic Point of Sale} for ease of income coding and recording in the financial ledger;
- a review of the procedures for the management of records in relation to homelessness clients;
- advising on the introduction of a secure procedure for handing third party cash donations;
- a review of the procedures for refunding and documenting within the Financial Ledger ticket sales for cancelled events;
- a corporate review of the petty cash imprest system for consideration by the Corporate Leadership Team and agreement to abolish the use of petty cash throughout the council with the introduction of the new corporate credit cards.

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
Audit Manager

27th June 2016

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
27th JUNE 2016**INTERNAL AUDIT**
REVIEW OF COUNTER FRAUD ARRANGEMENTS FOR 2015~16

OPEN	
CABINET MEMBER	Councillor Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
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APPENDIX	Appendix A ~ Corporate Strategy Appendix B ~ Anti Fraud Action Plan 2016~17 Appendix C ~ Summary of Fraudulent Attempts

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update Members on the progress and outcomes in respect of the counter fraud arrangements in place within the Council for 2015~16.
- 1.2 The Council has a responsibility to ensure it has effective counter fraud arrangements in place

2. RECOMMENDATION

The Audit Committee is asked to consider and note:-

- 2.1 This report on the counter fraud arrangements within the Council.**

3. BACKGROUND

- 3.1 The Fighting Fraud and Corruption Locally document published in March 2016 is the new counter fraud and corruption strategy for local government and builds on the detailed strategy of 2011 and review 2012. The strategy is aimed at those charged with governance and is supported by a more detailed companion to enable implementation of best practice.
- 3.2 In March 2015 the Audit Committee considered and noted an initial self-assessment against the Protecting the Public Purse 2014 Audit Commission report. The review provided assurance and endorsed the Council's zero tolerance to fraud.
- 3.3 The review also reported on the change of focus for local authorities in respect of Counter Fraud actions following the result of the Government's Welfare Reform Agenda and the housing benefit fraud investigation work being transferred to the Department for Works & Pensions {DWP}, Single Fraud Investigation Service {SFIS}.

3.4 Since the transfer, resources have focused mainly on the appointment of Compliance Officer(s) within the Revenues & Benefits Team. The Compliance Officer(s) are the primary liaison between the Council and the SFIS and are responsible for reviewing all discounts, reliefs, exemptions and voids across Council Tax and Business Rates to ensure all claims for a reduction in liability are legitimate and therefore maximising income for all preceptors.

3.5 The review also identified a need to review future arrangements for a Specialist Corporate Fraud Position to focus on those areas where fraudsters see the public sector as an easy target with no harm to individuals. The current economic climate means that temptation to commit fraud has increased and in view of this, a Corporate Fraud/Debt Recovery Officer post working 15 hours a week, has been aligned to the Internal Audit Team and is an accredited Counter Fraud Technician. This post works closely with the Revenues Compliance Officer having regard for tackling non-benefit frauds to reduce fraud and error.

The Council have committed resources to tackle the risk of fraud and whilst this post is relatively new, it clearly demonstrates the Council's commitment to tackling corporate fraud, with a responsibility to prevent, detect and deter all instances of alleged economic crime affecting the authority including allegations of fraud, theft, corruption, bribery and money laundering.

This post also allows for a dedicated resource for a more structured approach to debt management across the authority, maximising income collected following recommendations as part of the Finance Intervention.

4. KEY ISSUES

4.1 It should be noted that no frauds have been detected within the Council during 2015/16 and the council will continue to work on prevention and deterrence going forward. The Council however, as with all public services, continue to face a significant fraud challenge; fraud costs local authorities generally an estimated £2.1bn a year. Every £1 that local authorities lose to fraud is a £1 that cannot be spent on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.

Fraudsters are constantly changing their approach and the Council needs to do the same. There is a need to adopt a tougher stance following the principles developed in Fighting Fraud Locally 2011.

The aim of the Fighting Fraud & Corruption Locally agenda is to increase the prevention and detection of fraud and aid the recovery of funds to ease the constant financial pressures on councils through budget reductions, government policy changes as well as protecting taxpayers' money and will involve working with other agencies, to tackle new risks including cross boundary and organised fraud and corruption attempts.

4.2 The core principles are:-

➔**Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti fraud response.

→**Prevent:** preventing and detecting more fraud in making better use of information and technology enhancing fraud controls and processes and developing a more effective anti fraud culture.

→**Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

4.3 Whilst local authorities have been successful by following this approach, an increased threat requires further development and enhancement of counter fraud policies and the Council is working to ensure we maintain a culture where fraud and corruption is unacceptable and where everyone including Members and Employees play a part in its eradication. This includes a better understanding of the risk; using technology to close the door on fraudsters who try to access systems or services; using information more effectively to prevent and detect losses; bringing fraudsters to account and ensuring losses are recovered.

4.4 The new local government counter fraud and corruption strategy identifies areas in which fraud efforts should be focused to ensure a comprehensive and effective approach:-

- Leadership
- Assessing and understanding the scope of fraud and corruption risks
- Making a business case
- Using resources more effectively
- Collaborating to improve
- Using technology to tackle fraud
- Tackling corruption

Having an embedded anti-fraud approach across the Council is critical to its success, focusing on the cross cutting themes of culture, capability, capacity, competence, communication and collaboration will help ensure that an anti-fraud approach becomes integral to the way the Council works.

4.5 The Council already has adequate effective counter fraud arrangements in place following its self-assessment in 2015. There is an Anti Fraud & Corruption Policy and Strategy , which was developed several years ago as detailed as **Appendix A**. Whilst still relevant these documents now need to be refreshed to reflect the change in current arrangements, the fraud landscape and best practice. These documents are currently being reviewed in line with a voluntary code of practice published by the Chartered Institute of Public Finance & Accountancy {Cipfa} developed with their Better Governance Team and Counter Fraud Centre. The Cipfa code builds on Cipfa's guidance on Managing the Risk of Fraud and supported the Fighting Fraud & Corruption Locally Agenda. It allows the Council to improve on the effectiveness of counter fraud arrangements, for which a formal report will be presented to a future Audit Committee.

4.6 The Internal Audit Team review fraud risks as part of the annual audit plan for which any material findings are brought to the attention of the Management . Where fraud or potential for fraud is identified as a risk, Management respond satisfactorily to recommendations made by Internal Audit.

4.7 The Corporate Leadership Team have recently endorsed and support the identified actions:-

- A structured programme on fraud and corruption awareness for all members and senior managers.
- This will include Member Training and an interactive session with WF20 Managers to be led by the Corporate Fraud Officer.
- Senior Managers ensure their team{s} have appropriate fraud and corruption training.
- Ensure the right resources continue to be in place by assessing the risks on fraud and corruption and reporting the assessment through the Corporate Leadership Team to the Audit Committee.
- To monitor how the Council measure up to the identified good practice as detailed in the Fighting Fraud & Corruption Locally. The outcomes to be reported through the Corporate Leadership Team to the Audit Committee in September 2016.

Attached as **Appendix B** to this report is an indicative pro-active anti fraud plan detailing planned work streams for both the Corporate Fraud and the Compliance Officer roles. Joint working between these officers and the Internal Audit team will be undertaken in certain areas of the reviews, to draw on skills, experience and expertise within the Council.

4.8 The new approach endorsed by the Corporate Leadership Team to tackling fraud and corruption seeks to enhance the assurance over the system of controls but also ensures consistency in the Council's response to fraudulent activity perpetrated against Council Services.

4.9 Since the transfer of the housing benefit fraud investigation work the composition of the counter fraud work undertaken by both the Compliance Officers and the Corporate Fraud Investigation Officer has seen a change to encompass greater prevention and awareness corporately in addition to responding to fraud allegations.

4.10 In respect of the Compliance Officer role, this now focuses more on incorrectly claimed exemptions, discounts, reductions, disregards and reliefs across the Council Tax and Non Domestic Rates databases, which in turn will increase the tax base and generate additional income across all precepting authorities. In addition, whilst the Council is no longer responsible for the investigation of Housing Benefit Fraud, where possible, fraud and error are identified and such cases referred to the DWP Single Fraud Investigation Service as a matter of priority.

4.11 Following the appointment of the Corporate Fraud Officer in September 2015, this role has been actively raising awareness by the introduction of a dedicated Fraud Page on the intranet for all Members and Employees and this has been enhanced by a visible poster campaign and regular alerts in Wyre Weekly. The table below details alerts issued to date.

ALERTS	WYRED WEEKLY	NATURE OF FRAUD ALERT
1	11.11.15	Credit Card Fraud
2	02.12.15	Courier Fraud (telephone scam)
3	16.12.16	Invoice Scam
4	16.12.16	12 Frauds of Christmas
5	27.01.16	Password Security

6	27.01.16	Be Safe On-line
7	30.03.16	Protect your Personal Information
8	27.04.16	Life-line Scam

- 4.12** There is also a dedicated email address for ease of access to the Corporate Fraud Officer, which also allows for the recording, monitoring and reporting of potential attacks or attempts to extort financial or personal information from the Council details. Details of these attempts are summarised in the attached **Appendix C**.

Where appropriate these attempts are reported to Action Fraud, the UK's national reporting centre for fraud and cyber crime. This is a central point of contact for information about fraud and financially motivated crime and scams. The data is reported to the National Fraud Intelligence Bureau, which is monitored by the City of London Police and provides for intelligence gathering to identify viable lines of enquiry for potential police action.

- 4.13** In addition to the Compliance Officer and Corporate Fraud Officer roles, the Internal Audit Team cover fraud risks as part of the review of council systems in accordance with the risk based annual audit plan approved by the Audit Committee.
- 4.14** The Council also participate in the National Fraud Initiative administered by the Cabinet Office following the abolition of the Audit Commission, and have voluntarily participated in the Cipfa Fraud & Corruption Tracker Survey as a contribution towards the national statistics for fraud and error as identified within public organisations.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. The resource allocation for managing the Counter Fraud activity will be monitored to ensure this area is appropriately resourced.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Counter fraud work may have legal implications depending upon actions taken or decisions made.

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 Participation in national data matching exercises such as the National Fraud Initiative and compliance with best practice, helps to manage the risk of fraud across the Council. Working with third parties, the sharing of data and contributing to national surveys allows for the identification of frauds and errors.

- 8.2 The newly implemented Compliance Officer posts within the Revenues and Benefits Team will ensure compliance across Council Tax and Business Rates to maximise income and minimise losses thus reducing the risk of error and fraud. The Compliance Officers also fulfil the requirement for a “Single Point of Contact” between the Council and the DWP.
- 8.3 In addition the Council’s 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. Whilst it is not possible to eliminate or manage all risks all of the time, Internal Audit cover fraud risk as part of the review of council systems in accordance with the risk based audit plan.

9. CONCLUSION

- 9.1 Overall, it is acknowledged that there will always be a risk of fraud and error within the Council. However, with the arrangements in place to prevent and detect fraud, including the work undertaken by the Internal Audit Team, the Corporate Fraud Officer and Compliance Officers, the key issues identified within this report endorse the Councils commitment to a zero tolerance of fraud, with a commitment to creating and maintaining an environment where fraud and corruption will not be tolerated. It is acknowledged that there is more that can be done, particularly around awareness and this will continue to be addressed as part of a corporate campaign to include training and guidance for Members, Employees and those who do business with the Council.

10. CONSULTEES

- 10.1 Corporate Leadership Team
Cabinet Member for Resources
WF20

11. BACKGROUND PAPERS

- 11.1 Cipfa Fighting Fraud & Corruption Locally Strategy
Cipfa Fighting Fraud & Corruption Locally Companion
<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>



STRATEGY FOR DEALING WITH THEFT, FRAUD AND CORRUPTION

UNAPPROVED FOR REVIEW





STRATEGY FOR DEALING WITH THEFT, FRAUD AND CORRUPTION

1. Introduction

- 1.1 The Council has established a policy on theft, fraud and corruption which embodies the General Principles in Public Life and the Nolan Principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. This policy will be widely publicised.
- 1.2 Where there is a suspicion or complaint that the policy has been violated, the Council will use the existing mechanisms to investigate and deal with the problem. This strategy brings the mechanisms together, and makes the relationships between them explicit. It describes how the Council implements its Policy for dealing with theft, fraud and corruption.
- 1.3 The Council's objective is to make rational decisions which will allow it to operate in ways that make theft, fraud and corruption difficult to commit, likely to be detected, and then certain to be punished.
- 1.4 The procedures referred to in this Strategy are subject to continuous review to ensure that change in the organisation does not make the guidance irrelevant or unhelpful over time.
- 1.5 **Fraud** is the intentional distortion of financial statements and accounting records and/or misappropriation of assets. These activities are offences under either the Theft Act 1968 or Criminal Justice Act 1987.
- 1.6 **Corruption** is the offering, giving, soliciting or acceptance of an inducement or reward which may influence a person to act against the interest of the organisation. Corruption in the public sector is an offence under the Prevention of Corruption Acts of 1889, 1906 and 1916.

2. Responsibilities

- 2.1 Each individual member of the Council and Council employee is responsible for his/her own conduct, and for playing a part in the safeguarding of corporate standards. This policy applies to all Council employees which include self-employed contractors of the Council, agency workers, individuals on work experience or vocational training schemes. This means that:
 - (i) their own behaviour should be above reproach;
 - (ii) where they are aware of, or suspect, that others may be behaving improperly, or have reason to believe that the Council's systems (including those systems involving money or financial systems) may be unsound, they have a duty to report this to an appropriate officer being one of the following officers: Chief Financial Officer, Audit Manager, Monitoring Officer or the Chief Executive.



- 2.2 The Council recognises that real-life problems don't always fit neatly into pigeonholes. The roles and responsibilities form a continuum, and can overlap. This means that something being investigated as a financial matter may turn out to be purely a personnel issue, and vice versa – the Council relies on the professionalism of its employees to discuss and resolve such issues as they arise.

3. Prevention & Detection

- 3.1 The Council will take all reasonable steps to ensure that theft, fraud and corruption are difficult to perpetrate. This will be achieved through:

3.1.1. **sound systems:** the Council's overall control culture is defined in its Standing Orders and Financial Regulations and procedures. For individual financial systems these are supplemented by detailed guidance provided by the Internal Audit Section. The guidance has the intention to make it relatively difficult for systems to be bypassed, and promote the inclusion of internal controls and satisfactory separation of duties in order to prevent and detect errors and frauds. In case of difficulty the Internal Audit Section has an advisory role.

3.1.2 **good employee selection:** the Council takes care to employ individuals who are both honest and competent, by taking up references in all cases, and using a methodical and thorough approach to shortlisting and interviewing. This is set out in the Recruitment and selection roles provided by the Human Resources Team. A policy on Equal Opportunities has been adopted by the Council.

3.1.3 **Members' and Employee Codes of Conduct:** the Council expects both its Members and employees to lead by example. The Codes of Conduct set out the standards which elected members and employees are expected to meet in conducting Council business, and working relationships. Employees who fail to live up to the standards are liable to disciplinary action. There are different mechanisms that apply to members.

Registers of members' pecuniary interests and non pecuniary interests are maintained by the Solicitor to the Council as Monitoring Officer.

Registers of employee's pecuniary interests and non pecuniary interests are maintained within each Directorate as directed by the Corporate Leadership Team.

There is no universal system of gift registers, because gifts worth less than £10 are generally acceptable (and not worth recording), and larger gifts should not be accepted at all (and so do not need to be recorded). Guidance on gifts is contained within the Personnel Handbook.



- 3.1.4 At **Wyre Forest District Council**: there is an expectation that employees will do things right, even where formal controls are absent as they understand their responsibility to the community at large. We have adopted guiding principles and values within the Corporate Plan that all employees are expected to adhere to.
- 3.1.5 **Employee training**: the Council views appropriate training as necessary to get the job done professionally and effectively. As well as receiving appropriate training in post, employees are encouraged to seek guidance when there is any doubt about what to do. This is supported by the advisory role of the Internal Audit Section.
- 3.1.6 **Monitoring of financial systems**: to ensure that they are operating properly is carried out by budget holders and the Accountancy Section. Combined with periodic system review by the Internal Audit Section (see 4.1.7), this ensures that system operation problems are likely to be detected and corrected swiftly.
- 3.1.7 **System shortcomings**: it will be very helpful to the prevention of theft, fraud and corruption if members, employees and other citizens report potential for something to go wrong because of evident weaknesses in systems, as well as actual occurrences. They should report weaknesses or failures in systems to the Internal Audit Section.

4. Investigation

- 4.1 The Council will act promptly on any information about theft, fraud or corruption, in order to protect its assets and good name. All allegations, particularly anonymous ones, will be treated with care and discretion, because of the risk of misunderstanding of circumstances for which there is a reasonable explanation, and the risk of malicious allegations. All allegations and evidence will be properly investigated and reported upon and that where appropriate, losses are recovered for the Council. The Council have committed resources to tackle the risk of fraud and appointed a Corporate Fraud Officer corporatefraud@wyreforestdc.gov.uk All investigations must have regard to the Human Rights Act, Regulation of Investigatory Powers Act, Data Protection Act and other specific legislation advised by Legal Services.
- 4.2 It is important that only properly trained officers carry out investigation work. Employees should report their suspicions or concerns using the guidance in the Fraud Response Plan and should not attempt any form of investigation of their own.

PRO-ACTIVE ANTI FRAUD PLAN

2016~17

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME/TIMELINE
CORPORATE FRAUD			
Fraud Awareness Review Policies and Re Launch	Review the Strategy for Theft, Fraud & Corruption to ensure remains relevant and encompass best practice to include: Fraud Response Plan Corporate Prosecution Policy Confidential Reporting Anti Money Laundering Policy Bribery Act Policy	Corporate Fraud Officer supported by Audit Manager Work commenced in 2015~16.	Future proofed documents formally approved by the Audit Committee. Launch on the Council's intranet. To Be Completed By: September 2016
Fraud Awareness Training	Prepare and arrange for training material for employees and members	Corporate Fraud Officer supported by Audit Manager	Ensure Training Material remains relevant ensuring current fraud risks are covered. To Be Completed By: September 2016
CIPFA Code of Practice: Managing the Risk of Fraud & Corruption	Benchmark against the code to ensure the Council's response to counter fraud is in line with recommendations. Report outcomes to the Audit Committee.	Corporate Fraud Officer supported by Audit Manager	Affirm the Councils commitment to zero tolerance and ensure counter fraud arrangements are aligned to the code; provide assurance to the Audit Committee as part of an annual review. To Be Completed By: September 2016
National Fraud Initiative 2016/17	Participate in the 2016/17 National Fraud Initiative {NFI} Ensure key activities are completed in line with the NFI timetable. Ensure matching results from the NFI exercise are promptly reviewed and appropriate actions taken.	Corporate Fraud Officer/Compliance Officers Audit Manager as Key Contact for WFDC	Fraud & Error identified and appropriate action taken. Identification of fraud risk areas. Provide a corporate level of assurance over anti fraud controls in place. Contribute to the national position on public sector fraud. To Be Completed By: January 2017 for submission of data/ March 2017 for priority matches to published Cabinet Report May 2017

PRO-ACTIVE ANTI FRAUD PLAN

2016~17

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME/TIMELINE
KNOWN FRAUD RISKS REMAINING SIGNIFICANT			
Procurement fraud risks to include use of corporate procurement cards; split contracts.	Joint working with the Internal Audit Team ~ Contract Auditor Liaise with Assistant Accountant {Procurement} to identify possible vulnerable areas & understand controls in place to mitigate against potential procurement fraud. Consider, scope and undertake pro-active anti fraud exercises.	Corporate Fraud Officer	Identify any vulnerable areas within the procurement activity and address to mitigate further risk exposure Building on awareness and resilience to fraud in this area. To Be Completed By March 2017 as part of 16~17 Action Plan
Recruitment to include false identity; qualifications to gain employment access to services	Working with the Internal Audit Team and HR Manager to review procedures and identify controls in situ to ensure adequate vetting of employees to ensure employees have the right to work with that information given as part of any pre-employment checks is validated .	Corporate Fraud Officer	Identify any vulnerable areas within the recruitment activity and address to mitigate further risk exposure Building on awareness and resilience to fraud in this area. To Be Completed By March 2017 as part of 16~17 Action Plan
Internal Fraud ~ Any employee could, with a delegation of responsibility perpetrate fraud against the Council.	Working with the HR Manager to identify potential weaknesses allowing employees to commit fraud against the council. Consider, scope and undertaken pro active anti fraud exercises to include a review of overtime/expense claims{fraudulent claims; manipulation of the payroll system} and the time recording system {misuse of time and resources with employees undertaking person activities during working hours}.	Corporate Fraud Officer	Identify any vulnerable areas within the HR21 application for payment to employees and address to mitigate further risk exposure Building on awareness and resilience to fraud in this area. Managers to be aware of their responsibility in preventing and/or identifying employee fraud by ensuring clear controls and separation of duties. Strong anti fraud culture to deter employees from committing fraud in the first instance. To Be Completed By March 2017 as part of 16~17 Action Plan
Review of Gifts & Hospitality Register	Review and evaluate the extent to which the register is being utilised; whether fit for purpose and the	Corporate Fraud Officer	Identification of areas where gifts and hospitality are not being recorded which may identify fraud and/or

PRO-ACTIVE ANTI FRAUD PLAN

2016~17

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME/TIMELINE
	nature of the activities/items being declared		corruption where further investigation is necessary o Be Completed By March 2017 as part of 16~17 Action Plan
Council Tax Discounts & Exemptions & Council Tax Reduction Scheme	Liaison with the Revenues Service Manager to review the risks of Council Tax fraud including discounts, exemptions and the local reduction scheme. Ensure there is a strategy for dealing with council tax frauds incorporating sanctions and prosecutions. Consider outcomes from the NFI.	Compliance Officers	There is a policy in place for dealing with council tax fraud. Increase in income from a review of discounts, exemptions and the local reduction scheme. Take appropriate action where necessary. To Be Completed By: On-going reviews
EMERGING/INCREASING FRAUD RISKS			
Cyber dependent crime and cyber enabled fraud	Working with the Internal Audit Team & ICT Team as part of the computer audit reviews, review the arrangements in place for mitigating cyber attacks; division of funds, extraction of vulnerable data; false applications for services & payments. Make recommendations where cyber fraud risks are identified.	Corporate Fraud Officer/ICT Manager	Actions taken to mitigate cyber fraud in areas of identified vulnerability. Increase awareness of cyber fraud throughout the Council. To Be Completed By: On-Going reviews as part of 16~17 Action Plan.
Business Rates ~	In liaison with the Revenues Service Manager, understand exemptions and undertake a review of the inspection procedure for occupied/void properties.	Compliance Officers	Income generation opportunities; increase in tax base. Mitigation of business rates fraud in WFDC. To Be Completed By: On-going reviews

	DATE	NATURE OF FRAUD	ACTION TAKEN
1	10.11.15	email received refereeing to a" tax refund"	Forwarded Fraud alert to media team for Wyred weekly 10.11.15
2	11.11.15	email received as a potential Nigerian Scam	
3	12.11.15	Alert from Lloyds bank re scam bank letters	Forwarded Fraud alert to media 12.11.15
4	18.11.15	3 invoices dated 23.03.15 covering 3 year period received into Accountancy 17.11.15 no other documentation received. Invoices don't look real no contact details no telephone number or email address.	Checked with NNDR, Ctax and Benefits, asked Principal Accountant if they were aware of any bf charges.
5	27.11.15	Email in the name of " Happy Kids Orphanage"	emailed 'phishing@hmrc.gsi.gov.uk' 04.12.15
6	28.12.15	Email in the name of "SCB Hong Kong"	reported to action fraud 04.01.16
7	28.12.15	Email in the name of "NatWest credit card online service"	reported to action fraud 04.01.16
8	01.01.16	email in the name of "Natwest"	reported to action fraud 04.01.16
9	19.01.16	email in the name of "HMRC"	reported to action fraud 19.01.16
10	20.01.16	email from an named individual "brownk"	reported to action fraud 20.01.16
11	22.01.16	email from "Schwartz, Catherine R"	reported to action fraud 22.01.16
12	25.01.16	email in the name of hmrc	reported to action fraud 25.01.16
13	25.01.16	email received from an anonymous yahoo address.	reported to action fraud 25.01.16
14	05.02.16	Telephone call from HMRC quoting a query reference number 653P145051	
15	11.02.16	email in the name of "HM Revenue & Customs"	report to action fraud 17.02.16
16	17.02.16	email from an individual " Neil Coade"	report to action fraud 17.02.16
17	22.02.16	email from – "classicproperties"	report to action fraud 17.02.16
18	03.03.16	email from – "CF Parkinson Ltd"	report to action fraud 07.03.16
19	03.03.16	Email attempt in the name of the Chief Executive	report to action fraud 07.03.16 / also to IT
20	14.03.16	Email attempt in the name of the Chief Executive	Reported to IT
21	21.03.16	email from an anonymous yahoo address	Reported to action fraud 21.03.16 / also to IT

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
MONDAY 27TH JUNE 2016

ANNUAL GOVERNANCE STATEMENT

OPEN ITEM	
CABINET MEMBER	Councillor Nathan Desmond
DIRECTOR	Chief Financial Officer Ext 2100 tracey.southall@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Annual Governance Statement 2015/16

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 2015, 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 21st March 2016.
- 3.4 In relation to the 2015/16 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 2015/16 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 2015 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 27th June 2016.

9. CONSULTEES

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

10. BACKGROUND PAPERS

- 10.1 Accounts and Audit Regulations 2015 (SI No.234)
<http://www.legislation.gov.uk/uksi/2015/234/contents/made>
- 10.2 Delivering Good Governance in Local Government CIPFA/SOLACE.
http://www.tisonline.net/managementoffinance/content/delivering_good_governance_in_local_government_framework_2007.pdf
- 10.3 UK Public Sector Internal Audit Standards April 2013.
http://www.wyreforest.gov.uk/council/docs/doc48591_20131202_audit_report.pdf
- 10.4 Audit Committee Reports 21st March 2016.
http://www.wyreforest.gov.uk/council/docs/doc50802_20160321_audit_agenda.pdf

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 2015 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 2016 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 2015/16 (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 2016. These reviews take into account:

ANNUAL GOVERNANCE STATEMENT 2015/16 (continued)

- the Internal Audit Annual Assurance report from the Section 151 Officer as Chief Financial Officer in consultation with the Audit Manager for 2015/16;
- 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 30th November 2015.

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 2015/16 approved by May 2016 Council. This ensured they remain up to date for the Accounts and Audit Regulations 2015 and reflect the drive for channel shift, increased impetus for income generation, commerciality and increasing range of alternative service delivery models to meet the ongoing challenges of Local Government Finance reform.

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 30th November was considered at its meeting on the 21st March 2016.

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 the 2015/16 Annual Audit Plan.

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. As part of the governance framework, Corporate Fraud Polices are under review to reflect the environment and challenges faced by local government and will build on the Fighting Fraud & Corruption Locally Strategy published in March 2016.

A new part-time Corporate Fraud Investigator/Corporate Debt Recovery post has been in situ from September 2015 to mitigate this risk. This new post works closely with the Revenues

Compliance Officers. This is a relatively new position for the Council and the full impact of this resource will be closely monitored with an Annual Report on outcomes reported to the Audit Committee in June.

ANNUAL GOVERNANCE STATEMENT 2015/16 (continued)

In terms of the debt recovery there is evidence that by having a dedicated resource, corporate debt management is more structured enabling more prompt collection of debts to take place.

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.

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:

- Completion 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 delivers the affordable and sustainable leisure facility on the Silverwoods site;
- Continued progression of the increasingly challenging Wyre Forest Forward programme and associated transformation projects, including robust monitoring with the opportunity to challenge as appropriate, against savings plans, including development of new savings ideas to meet the increased targets from 2017/18;
- 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 continuing austerity measures, noting the impact of the European Referendum. This includes the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform and further work around income generation, commercialisation and expenditure reductions;
- Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may sign up to as part of its pursuit of innovative alternative service delivery solutions to unlock funding opportunities and generate revenue income streams. This may include Local Authority Trading Companies, localism, joint operations and potentially devolution and combined authorities;
- Maintaining financial resilience with reduced resources across Enabling teams, particularly in view of the progression of the continuous improvement work of the "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 information governance and 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.

ANNUAL GOVERNANCE STATEMENT 2015/16 (continued)

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

27th June 2016

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE REPORT****27TH JUNE 2016****STATEMENT OF ACCOUNTS 2015/16**

OPEN ITEM	
CABINET MEMBER:	Nathan Desmond
DIRECTOR:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall Ext. 2100 tracey.southall@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Explanation of Major Variations on Revised 2015/16 Budget

1. PURPOSE OF REPORT

- 1.1 To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2015/16.

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 2015 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, 2016.
- 3.2 Regulations require an accelerated closedown table for the 2017/18 accounts with the draft accounts being prepared by the end of May and the final audited accounts by the end of July. As part of the preparations for this earlier closedown, the Finance team has actively worked with Grant Thornton this year to bring forward the completion of some closedown processes. This has been a useful exercise and providing learning points for the future.
- 3.3 Cabinet considered the provisional outturn position in relation to the Final Accounts for 2015/16 on the 14th June 2016. Cabinet was asked to note additional funding for the

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following significant earmarked reserves from the surplus in 2015/16. The first was for the top-up of the Transformation Fund £200k, the second was £230k top-up of Business Rates/Regeneration Risk Reserve and finally the creation of a £500k General Risks Reserve.

- 3.4 The Statement is then subject to audit. The Council's external auditor; Grant Thornton has until 30th September 2016 to complete the audit, after which the Statement will be published.
- 3.5 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 an electronic copy of the Statement.
- 3.6 Members may wish to note that the Council's Accounts will be made available for public inspection as required by the Accounts and Audit Regulations 2015, for a period of 30 days between 28th June 2016 and 8th August 2016. The revised legal requirements no longer include an appointed day when external auditors must be available for questions or queries. If any local government elector for the area has any questions on the Accounts for the external auditor an appointment should be made in advance, in writing.
- 3.7 The provisional revenue outturn position has identified savings of £581,720. This is subject to audit and after the creation of the earmarked reserves for the top-up of the Transformation Fund £200k, £230k top-up of Business Rates/Regeneration Risk Reserve and £500k General Risks Reserve. 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. Whilst there is a planned contribution to reserves in 2016/17 of £211,400 the forecast impact of changes to the Funding regime mean that by 2018/19 transfers from reserves are required of around £875,000. The funding gap increases to around £2m from 2019/20 and further work on the Wyre Forest Forward Savings Strategy is actively being worked on to close this gap and ensure the future financial sustainability of the Council. More certainty around the scale of future financial savings will be known following the release of detail on the Funding Reform.
- 4.2 This has been the third year of the Business Rates Retention Scheme and the results this year are far more positive with an overall surplus of £231k compared to the revised budget of £2.547m. Several factors have contributed to this good news; firstly we should receive a Pool payment for our share of the retained levy of £31k. Secondly, whilst appeals remain a risk, no new significant appeals have been received this year that have required an increase in our normal provision levels. Thirdly, the revised budget assumptions did not include growth identified in quarter 4 by use of software that searches for extensions/ rating liabilities that are not on our rating list. All of these factors, together with no significant business failings in 2015/16 have contributed to this Council's results. Based on the membership agreement of the Worcestershire Business Rates Pool, we paid into the risk reserve this year, rather

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than receiving a payment from it as was the case in 2013/14 (nil in 2014/15). A payment from the 2015/16 risk reserve will be paid to Malvern Hills towards their funding shortfall, leaving a balance of £129k to be carried forward to the new Pool. However, the increased risk around appeals in relation to Supermarkets, in particular remains 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/Regeneration Risk Earmarked Reserve of circa £300,000 but this may prove insufficient. This together with the significant uncertainty and consequent risk around Business Rates Reform intrinsically linked to regeneration has led to the decision to use the surplus to increase the Business Rates/Regeneration Risk Reserve to circa £530k. This increased sum reflects the fact that this Council collects over £30m of business rates annually and the impact of the proposed move to 100% retention of growth and successful progression of regeneration initiatives is as yet unknown but it will undoubtedly involve more risk.

- 4.3 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2015/16. These variances include:
- i) Pay, General Administration and Miscellaneous Corporate savings of £447k
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 in pay budgets of £280k most of which is for vacant posts where recruitment has taken longer than anticipated, reductions in overtime and agency and £92k of General Administration savings as a result of tight housekeeping on these generic budgets .
 - ii) Revenues (Council Tax) service running costs, positive variance of £103k
The court costs related to debt recovery of the Revenues Service are lower than anticipated, together with savings in other general running expenses due to improved systems and processes.
 - iii) Icelandic investment release of earmarked reserve and impairment improvement – favourable variance of £134k
These funds can now be released to general reserves following an improvement in the recovery forecasts and actual receipts to date received from the Administrators.
 - iv) Property-related savings/extra income for Wyre Forest House and Other Property - favourable variance of £90k
The favourable variance is made up of savings in property costs/extra income for Wyre Forest House £46k, increased income from industrial estates of £17k and savings from asset disposal costs of £27k.
 - v) Depot/Transport costs savings of £71k
Savings due to favourable fuel prices and operational savings related to vehicles.
 - vi) Development Control – Income shortfall of £22k
The local economy was unable to support the optimistic income estimate from Development Control for 2015/16.

- vii) Carbon Management savings not achieved of £21k
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 £40k
This additional interest on investments has resulted from slightly longer durations and robust treasury management of funds.
- ix) Car Parking and Civil Enforcement savings in running costs of £31k
The costs of car parking repairs and maintenance, including site maintenance have been managed down to achieve budget savings.
- x) Leisure Centre savings - £45k
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.
- xi) Bewdley Museum savings in the costs of repairs and maintenance of buildings /general savings and additional income of £22k
Careful management of this budget has resulted in reduced costs and increased income over most budget areas.
- xii) Additional Business Rates/Regeneration Risk earmarked reserve for this year of £230k
The variance analysis includes expenditure to supplement the existing Business Rates/Regeneration Risk earmarked reserve by £230k from the Business Rates surplus this year as detailed in paragraph 4.2.
- xiii) Release of earmarked reserves – favourable variance of £271k
Existing and new requests for earmarked reserves were subject to additional challenge this year and this resulted in a release into general reserves of £271k. A General Risks earmarked reserve of £500k has been created to mitigate risk for Service Managers who incur unpredictable costs in relation to these forgone reserves and also to cover a number of emerging risks the Council may face in the near future.
- xiv) Other additional earmarked reserves new for this year of £200k
The variance analysis includes expenditure of £200k 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 with austerity measures set to continue to balance the macro budget regardless of the result of the European Referendum. The reduced level of funding currently programmed for the Council in the future is being mitigated by a raft of transformational reviews being developed and implemented as part of the Wyre Forest Forward programme.

4.5 The draft position for 2015/16 demonstrates that through prudent financial management and the review and release where relevant of existing earmarked reserves, additional resources were made available to fund additional earmarked reserves (net of release of reserves) as set out in paragraph 3.6.

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- 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. Cabinet on the 14th June 2016 noted that an additional £200k to supplement this reserve has been made from final account savings. Taking this into account £324k remains uncommitted from this fund at the end of 2015/16.
- 4.7 Audit Committee is asked to note additional funding for the following significant earmarked reserves from the surplus in 2015/16. The first is the top-up of the Transformation Fund £200k, the second the creation of a £500k General Risks Reserve, the third is the top-up of the Business Rates/Regeneration Risk Reserve by £230k.
- 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 planned fundamental changes to the Government Funding Regime in 2016/17 and beyond, inevitable further austerity measures expected and also the continuing Welfare Reform changes.

5. FINANCIAL IMPLICATIONS

- 5.1 The positive variance of £1,511,720 compared to the Revised Budget, reducing to £581,720 following the creation of additional significant earmarked reserves, resulting in a contribution to General Reserves of £180,310 rather than the planned use of reserves of £401,410 is welcomed. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2016/17 onwards. This is greater than reported at Quarter 3 budget monitoring. However, a number of events and decisions in the last quarter coupled with year end transactions have led to the increase in the savings.
- 5.2 These remain extremely challenging times for this Council given the impending changes to the landscape of the Government's funding regime that will continue to emerge as consultations papers are published. The saving on outturn is welcomed and has been utilised to earmark funds to meet potential liabilities, create resilience 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 Regulations 2015 deadline, in respect of production and approval of the Statement of Accounts before 30th June 2016, 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 provisional outturn position as at 31st March 2016 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 Regulations 2015

<http://www.legislation.gov.uk/uksi/2015/234/contents/made>

- 11.2 Financial Strategy 2016/19

<http://www.wyreforestdc.gov.uk/media/1821784/Printed-Strategy-Web-Version.pdf>

- 11.32 Cabinet 14th June 2016 – Report on Provisional Final Accounts 2015/16

http://www.wyreforest.gov.uk/council/docs/doc50976_20160614_cabinet_agenda.pdf

PROVISIONAL OUTTURN
MAJOR VARIATIONS BETWEEN REVISED BUDGET
AND ACTUAL NET EXPENDITURE FOR 2015/16

Total Revised Budget 2015/16	13,260,000
LESS:	
Actual Net Expenditure - not finalised - still subject to validation	12,687,720
SAVINGS COMPARED TO 2015/16 REVISED BUDGET	(572,280)
Increase in Funding from Business Rates/other Govt funding	(239,440)
Transfer to Business Rates/Regeneration Risk Earmarked Reserve	230,000
OVERALL SAVING COMPARED TO REVISED BUDGET INCLUDING FUNDING	(581,720)

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
Chief Executive		
1. Bad debt provision - good recovery of benefits overpayments during 2015-16, resulting in a decrease in bad debt provision compared to budget		(85,000)
2. Wyre Forest House savings in property running costs and improved income		(46,000)
3. Revenues - savings in service running costs including reduced fees for court costs		(103,080)
4. Release of Earmarked Reserves to General Reserves		(192,540)
Community Well Being and Environment		
1. Depot related Fuel price and operational efficiency savings		(29,000)
2. Depot Vehicle maintenance savings		(42,000)
3. Non- Depot repairs and maintenance of buildings and site maintenance		(31,000)
4. Saving - Leisure Centres - maintenance of buildings, grounds and plant replacement		(45,000)
5. Saving - Bewdley Museum - underspend on general expenses and increased income, specifically education, museum events & activities and wedding ceremonies		(21,590)
Economic Prosperity and Place		
1. Release of Earmarked Reserves to General Reserves		(78,250)
2. Industrial property income increase		(17,000)
3. Development Control income shortfall	22,000	
4. Improved income - Licensing		(7,800)
5. Carbon Management savings not achieved in 2015/16 - reprofiled into future years	20,630	
6. Other Property - saving in asset disposal costs		(27,100)
Capital Account		
1. External Interest - additional income from treasury management activities		(40,220)
2. Icelandic Impairment Adjustment - (further in-year receipts from Administrators)		(37,030)
3. Release of Icelandic Earmarked Reserve to General Reserves		(96,870)
Corporate Variations		
1. Payroll related savings		(280,830)
2. Admin Expenses - savings		(92,040)
3. Additional New Homes Bonus Funding and other minor variations in Government Grant		(9,440)
4. Earmarked Reserves for Corporate Risk Reserve (General Risks)	500,000	
5. Miscellaneous savings		(42,560)
6. Replenishment of Transformation Fund	200,000	
	742,630	(1,324,350)
REDUCED NET EXPENDITURE ON YEAR 2015/16 - PROVISIONAL		(581,720)