

Open

Audit Committee

Agenda

6pm
Wednesday, 31st May 2017
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor A T Hingley
Vice-Chairman: Councillor T L Onslow

Councillor K Henderson
Councillor J A Shaw

Councillor S Miah
Councillor H S Williams

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 Rhiannon Foxall, Business Improvement Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732786 or email rhiannon.foxall@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Wednesday, 31st May 2017

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 20th March 2017.	5
5.	Internal Audit Monitoring Report Quarter Ended 31st March 2017 To receive a report from the Audit Manager informing Members of the Internal Audit Monitoring Report quarter ended 31 st March 2017.	9
6.	Internal Audit Annual Assurance Report 2016/17 To receive a report from the Section 151 Officer and Audit Manager which asks for approval of the Internal Audit Annual Assurance Report.	26
7.	Annual Governance Statement 2016/17 To receive a report from the Chief Financial Officer which asks for the approval of the Annual Governance Statement and Annual Governance Action Plan 2016/17 for inclusion in the Statement of Accounts.	36

8.	<p>Statement of Accounts 2016/17</p> <p>To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2016/17.</p>	48
9.	<p>External Audit Fee Letter 2017/18</p> <p>To receive a Grant Thornton update from the Chief Financial Officer in relation to the planned audit fee for 2017/18.</p>	55
10.	<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>	
11.	<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

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>	
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WYRE FOREST DISTRICT COUNCIL
AUDIT COMMITTEE
COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER
20TH MARCH 2017 (6PM)

Present:

Councillors: A T Hingley (Chairman), T L Onslow (Vice-Chairman), S Miah, J A Shaw, S J Williams and K Henderson.

AUD. 32 Apologies for Absence

Apologies for absence were received from Councillor Sally Chambers.

AUD. 33 Appointment of Substitutes

Councillor Chris Rogers attended as an observer. Councillor Stephen Williams was appointed as a substitute for Councillor Sally Chambers.

AUD. 34 Declarations of Interests by Members

No declarations of interest were made.

AUD. 35 Minutes

The minutes of the meeting held on 28th November 2016 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD. 36 Audit Update

Grant Thornton led Members through the report on progress in delivering responsibilities as external auditors.

Councillor Shaw commented that he hoped the Council would be proactive regarding “fixing the broken housing market” and the associated new responsibilities for district councils.

Councillor Shaw asked about the most recent redirection of funds and any potential impact to New Homes Bonus. The Chief Financial Officer advised that the further guidance and information regarding New Homes Bonus is still awaited from Government.

Councillor Shaw also asked about the reference to Personal Service Companies in the section of the report regarding “Off-Payroll working and salary sacrifice in the public sector”. The Chief Financial Officer advised that IR35 could apply but not significantly. Advice has been taken from PWC regarding the impact.

Councillor Miah queried the reference to “work completed” and “most of work

completed” on page 11 of the report. Grant Thornton confirmed that the completed work referred to the interim work and the “most of work completed” referred to the Final Accounts in June.

Councillor Onslow asked for clarification regarding the phrase “Integrated Thinking”. Grant Thornton advised this phrase relates to current work to bridge the gap between reporting the financial position of an authority at the end of the year and what “value” has been achieved through project outcomes.

Agreed: The update was noted.

AUD. 37 Certification Report

Grant Thornton led Members through the letter regarding the certification work for Wyre Forest for year ended 31st March 2106. Grant Thornton highlighted the revision to the fee as per page 28.

Councillor Onslow queried why there was a variation to the fee. Grant Thornton advised that an indicative fee is set at the beginning of the year and this fee is based on the fee from 2 years prior to the current year. The fee will change depending on the amount of follow up work undertaken as a result of initial findings. On this occasion, additional work was undertaken by Grant Thornton due to staffing resource shortages within the benefits team.

Agreed: The report was noted.

AUD. 38 Informing Risk Assessment

Grant Thornton led Members through the report regarding informing the audit risk assessment.

Councillor Shaw queried the answer of yes to the question “does the Council have sufficient staff in post?” Does this mean staffing levels were over sourced previously? The Chief Financial Officer confirmed that answering “yes” to this question would always be a tentative “yes”. If a gap in staffing levels is identified, it would be bridged using the Innovation Fund. Councillor Shaw passed on his compliments to staff as they continue to take on additional workloads and responsibilities.

Councillor Miah asked if it was getting harder to attract people to work for the authority. The Chief Financial Officer confirmed that recent recruitments have been very positive and have attracted strong candidates.

Councillor Hingley agreed that the points Councillors Shaw and Miah raised were valid and that this would need to be monitored going forward.

Agreed: The report was noted.

AUD. 39 Audit Plan

Grant Thornton led Members through the Audit Plan for the year ending 31st March.

Councillor Hingley commented that the layout of the report made it extremely easy to read and digest.

Agreed: The report was noted.

AUD. 40 Internal Audit Plan 2017/18

The Chief Financial Officer/Audit Manager led Members through the report which has been prepared in accordance with the UK Public Sector Internal Audit Standards and the Internal Audit Charter.

Councillor Shaw asked about the reference on page 80 as to the ongoing audit of the benefits section. Are the changes from DWP the reason for continued staffing changes? The Audit Manager confirmed several audit days are allowed for that service area as it is a key area for the External Auditors.

Councillor Miah asked for examples of what would be considered minor/major amendments to the plan. The Audit Manager gave the example of making slight amendments to the number of days assigned to certain areas which would be considered minor, where as a restructure within the Audit team would be considered major affecting the available audit days and a revised plan would be brought back to Committee.

Councillor Onslow asked for reassurance that the Internal Audit team are sufficiently experienced in the new issues that are likely to arise in the future around income generation etc. The Audit Manager confirmed that she has a very experienced Internal Audit team, three of whom have undertaken audits within the private sector. If ever a gap in knowledge/experience was identified, the necessary steps would be taken and resourced.

Agreed: The Audit Committee:

Considered and approved the Internal Audit – Annual Audit Plan 2017/18, attached as Appendix 1.

Approved 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 this report.

AUD. 41 Internal Audit Monitoring Report

The Audit Manager led Members through the Internal Audit Monitoring Report for the Quarter ending 31st December 2016.

Councillor Onslow queried which of the recommendations relating to Cyber Security controls referred to on page 97 was still outstanding. The Audit Manager confirmed that work on the Disaster Recovery Plan was still being undertaken and this will be reviewed as part of the 2017/18 Audit Plan.

Agreed: The report was noted.

AUD. 42 Annual Governance Statement

The Chief Financial Officer led Members through the report to present the current position in relation to the action plan which was developed to address the issues identified within the 2015/16 Statement of Accounts.

The progress against the Annual Governance Statement Action Plan 2015/16 was agreed.

AUD. 43 Risk Management

The Chief Financial Officer led Members through the report to inform them of the current Corporate Risk Register and the Budget Risk Matrix.

Councillor Shaw queried the collection of Council Tax and Business Rates figures. The Chief Financial Officer confirmed that the Council Tax collection rate figure was for the whole of the billed amount rather than the district council portion. The Business Rate cash collection is higher, despite the lower percentage rate, as there may be less rate relief etc resulting in an increase in the total Council Tax collectible.

Agreed: The report was noted.

The meeting ended at 7.25pm.

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

31st MAY 2017

INTERNAL AUDIT MONITORING REPORT

QUARTER ENDED 31st MARCH 2017

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 2017

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st March 2017, 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 2017 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 2016~17 in March 2016. 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; incorporating recommendations in progress
Section 2	Final Internal Audit Reports issued
Section 3	Draft Internal Audit Reports issued
Section 4	Work In Progress to include draft reports issued following completion of 2016~17 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken
Section 6	Summary of Final Reports issued in the period 1 st April ~ 31 st December 2016

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 May 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.

Agenda Item No. 5

- 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 Internal Audit is reviewing the area 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 Standards. 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 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."

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 continuous 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 2017 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 28th November 2016 ~ Audit Committee ~ Internal Audit Charter {Updated}
21st March 2016 ~ Audit Committee ~ Internal Audit Annual Audit Plan 2016~17
Accounts and Audit Regulations 2015 (SI234)

INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st MARCH 2017**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31st MARCH 2017

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SECTION 6 Summary of Final Internal Audit Reports issued in the period 1 st April to 31 st December 2016 (Key Systems)	25
 <i>Cheryl Ellerton</i> AUDIT MANAGER	
 <i>Tracey Southall</i> SECTION 151 OFFICER	

5th May 2017

SECTION 1

Quarter Report to the 31st March 2017

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.

Agenda Item No. 5
Appendix 1
SECTION 2

SECTION 1		
FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2017		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems (Annual Assurance Reviews)		
2016~17 Account Receivable {Corporate Debtors} ~ Reconciliation	F	-
2016~17 Bank Reconciliations	F	-
2016~17 Benefits ~ Housing Allowances & Overpayments {Compliance}	S	17
2016~17 Council Tax ~ Compliance	F	-
2016~17 Council Tax ~ Reconciliation {Gross Debit, Valuation Office & Income}	F	-
2016~17 Council Tax Local Discount Reduction Scheme {Compliance}	S	18
2016~17 Income To Bank	F	-
2016~17 NNDR ~ Compliance	S	19
2016~17 NNDR ~ Reconciliation {Gross Debit, Valuation Office & Income}	F	-
2016~17 Treasury Management	F	-
Subsidiary System (Annual Assurance Reviews)		
2016~17 Income To Bank { Car Park Pay & Display/Housing Act Advances}	F	-

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
F = Full	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.
S = Some	Sufficient framework of controls but some weaknesses identified ~ provides adequate assurance.	Summary page of Audit Report together with any significant findings and associated recommendations where appropriate.
L = Limited	Significant lapses/breakdown in individual controls ~ at least on significant weakness ~ provides partial assurance.	Summary page of Audit Report and significant findings and associated recommendations.
U = Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations ~ provides little or no assurance. A significant internal control is one which is key to the overall framework of controls.	Summary page of Audit Report and significant findings and associated recommendations.

AUDIT REPORT TITLE: Housing Benefits Compliance Testing 2016-17 BUDGET: £32,912,770 Revised 2016~17 REF: A280 Benefit Payments		ACTION PLANS: 27th November 2016 DRAFT REPORT DATE ISSUED: N/A FINAL REPORT DATE ISSUED: 3rd April 2017 {Q4 31.03.17}		SERVICE: Chief Executives (Revenues & Benefits) to 31.03.17 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 2016-17. 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 40 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 20 accounts with a Housing Benefit overpayment was selected and examined in detail to ensure that the over payment 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 completed from April 2016 – March 2017 was undertaken throughout the year. Following the first phase of testing, an action plan was issued to the Revenues, Benefits and Customer Services Manager to advise of an incorrect allowance recorded against a claimants entitlement after liaison with the Principal Benefits Officer, the error was corrected and the claim reassessed. The first phase of testing also acknowledged a recognised issue regarding the automated process of importing DWP documents. Following completion of the final phase of testing, an issue had been identified within the CIVICA application regarding the awarding of a lone parent rather than a family premium, for one claimant; this was raised with the Principal Benefits Officer and the claimant accounts corrected accordingly. A report was generated to establish if any similar errors had occurred; no further errors were identified. The Senior Benefits Assessor has advised all relevant sections to carefully check all premiums, allowances and awards.

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: Council Tax Reduction {Local Scheme} Compliance Testing 2016-17 BUDGET: £7,040,965 {Estimated 28.02.16} REF:	ACTION PLANS ISSUED: 17 th November 2016 DRAFT REPORT DATE ISSUED: N/A FINAL REPORT DATE ISSUED: 9th February 2017	SERVICE: Chief Executive (Revenues & Benefits) to 31.03.17 RESPONSE DATE: Action Plans 30 th November 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><u>Overview</u> This Audit forms part of the annual assurance reviews undertaken as part of the annual internal audit plan 2016-17. The review was carried out to ensure that the Council Tax Reduction Scheme payable for council tax support under the local scheme is assessed appropriately and calculated accurately. Overpayments relating to the local reduction scheme on council tax accounts were also tested to ensure that calculations were accurate and recorded on the account accordingly.</p> <p><u>Awards</u> A sample of 30 accounts with Council Tax Reduction Scheme (CTRS) 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. Also that there is a benefit application form and evidence of proof of identity. Checks were also made to ensure that the Civic Council Tax records were appropriately updated, that the property is not void and the claimants are the liable party for payment of Council Tax.</p> <p><u>Overpayments</u> A sample of 30 accounts with Council Tax Reduction Scheme “overpayments” was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original discount assessment and subsequent revised assessment was calculated accurately and the overpayment was correctly and accurately posted to the relevant council tax account.</p> <p>Following the first phase of testing, an Action Plan was issued to the Revenues, Benefits & Customer Services Manager to detail any issues identified.. Any matters arising were dealt with promptly by the Principal Benefits Officer. One instance resulted in the claim being reassessed due to incorrect occupational pension figures being entered on the system. For a separate allocation, a Statement of Self-Employed Income had not been signed by the claimant; a process has been put in place to ensure all statements are signed in future. There were no unresolved queries relating to the final phase of testing in respect of awards for entitlement or recovery of overpayments.</p> <p><u>Conclusion</u> On the basis of the work undertaken, the review has concluded that within the procedures in operation for assessing entitlement to and awarding of Council Tax Reduction (Local) Scheme along with the recovery of overpayments there are opportunities for improvement. However the matters arising, are for a small element of the overall CTRS assessment process and therefore reasonable assurance can be given that other elements of the system are well managed. In view of the prompt action taken by the Revenues, Benefits & Customer Services Manager and the Principal Benefits Officer, the overall conclusion therefore, is that SOME assurance can be given in that the internal controls in place for the assessment of Council Tax Reduction (Local) Scheme are operating effectively within this key system.</p>			

AUDIT REPORT TITLE: NNDR Compliance Testing 2016-17 BUDGET £36,753,711 Gross Debit (2016~17) REF: P100	Progress Report/Action Plan ~ Phase 1 ~ Issued 04.11.16 DRAFT REPORT DATE ISSUED: 12th April 2017 {Q4 31.03.17} FINAL REPORT DATE ISSUED: 21st April 2017 {Q4 31.03.17}	SERVICE: Chief Executive (Revenues) to 31.03.17 RESPONSE DATE: 20th April 2017
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview
 This Audit forms part of the annual reviews undertaken as part of the 2016-17 Audit Plan. The review concentrated on ensuring that there are procedures in place for recording and processing a change in circumstance, that appropriate recovery action is taken and correct authorisation is obtained prior to write-off National Non Domestic Rates (NNDR).

A sample of NNDR accounts with a change of circumstance was selected and examined in detail to ensure the effective date was recorded, charges were calculated using the correct NNDR Multiplier, small business rate relief / supplement and the period charge were calculated correctly.

A sample of NNDR accounts was selected at different stages of the recovery process and examined to ensure that correct recovery action is being taken in accordance with legislation. The detailed testing included verifying that arrears were promptly identified, recovery action had been taken in accordance with procedures and each stage of recovery recorded, accounts were debited with costs where applicable, arrangements to pay were in place and payments monitored and further action taken as required.

Following the initial phase of testing, an Action Plan (Progress Report) was issued to the Service Manager to allow for any matters arising to be addressed promptly. There were no matters arising during the detailed compliance testing. Following the second phase of testing to include a sample of NNDR accounts with a change of circumstance notification or with recovery action being progressed, whilst there were no matters arising from those accounts with recovery action, for one account it was found that there had a delay in the bill being raised, which has resulted in a delay in payments being made by the business.

During the year 2016-17 there had been detailed requests for the writing off of Non-Domestic Business Rates. The constitution allows for the Chief Financial Officer to write off individual debts up to the value, in each case of £5,000. For values, between £5,000 and £9,999.99 write-offs can be made subject to consultation with the Cabinet Lead Member for Resources, whilst those greater than £10,000 require full Cabinet approval. All write offs were supported by appropriately authorised documentary/electronic evidence.

Conclusion
 On the basis of the work undertaken, the review has concluded that the procedures in operation for the processing of change of circumstance, recovery action and write-offs within the NNDR system are well managed, An explanation had been provided by the Revenues Team leader regarding a delay in respect of the single matter arising. Whilst this was for a small element of the overall compliance testing the overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place are operating effectively in the NNDR system.

SECTION 3

Quarter Report to the 31st March 2017

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2017		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
<u>Annual Assurance Reviews 2016-17</u> Payroll Reconciliation Payroll Compliance	03.05.17	12.05.17 {Response Received}/16.05.17 Final Report

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 2016~17 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31st March 2017		Status	Action Plans/Progress Report			
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.17	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
	<u>Core Financial Systems (Annual Assurance Reviews)~ 2016/17 Annual Audit Plan</u>					
RA74	<u>Accounting Cash To Bank</u> Corporate Income To Bank	Stage 6	-	-	-	Final Report 27.04.17
	Bank Reconciliation	Stage 6	19.07.16	-	15.11.16	Final Report 07.02.17
RA88	<u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u> Council Tax Reduction {Local Scheme} ~ Compliance	Stage 6		24.10.16	17.11.16	Final Report 09.02.17
	Housing Benefit {Allowances}	Stage 6	-	-	22.11.16	Final Report 03.04.17
	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 4	-	-	-	30.04.17
RA82	<u>Council Tax</u> Ctax Reconciliations ~ {To include Gross Debit 2016/17}	Stage 6	-	-	-	Final Report 07.04.17
	Ctax Compliance/Recovery	Stage 6	19.08.16	-	-	Final Report 13.02.17
RA80	<u>Creditors (Accounts Payable)</u> Creditors {Accounts Payable} ~ Compliance	Stage 4	-	23.08.16	15.11.16	09.01.17/30.04.17
	Creditors {Accounts Payable} ~ Reconciliation	Stage 4	-	-	-	09.01.17/30.04.17
RA89	<u>Debtors (Accounts Receivable)</u> Debtors {Accounts Receivable} ~ Compliance	Stage 4	-	21.10.16	-	19.01.17/30.04.17
	Debtors {Accounts Receivable} ~Reconciliations	Stage 6	03.08.16	-	-	Final Report 20.03.17
RA71	<u>Establishment</u> Establishment Reconciliation	Stage 3	-	-	12.12.16	30.04.17
	Establishment {Staff Record Forms}	Stage 5	17.08.16	-	-	08.12.16/30.04.17
RA84	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations ~ {To include Gross Debit 2016/17}	Stage 6	-	24.10.16	-	Final Report 14.03.17
	NNDR ~ Compliance	Stage 6	-	04.11.16	-	Final Report 21.04.17
RA85	<u>Payroll (Including Mileage & Subsistence Claims)</u> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^	Stage 5	09.08.16	-	-	30.04.17
	^ Field Work includes Local Government Pension Scheme & Local Pay Award					
	Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 5	-	24.10.16	-	30.04.17/03.05.17
RA103	<u>Treasury Management</u>	Stage 6	-	-	-	10.02.17

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 Issue

SECTION 5

Performance Against Annual Plan For The Financial Year 2016/17

Year to 31st March 2017

	<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	247.50	289	85.64
ICT Audit (Governance, Advice & Assistance)	14.25	40	35.63
Contract Audit/Procurement	40.00	25	160.00
Consultancy and Advice	30.50	30	101.67
Commissioned Projects	33.25	20	166.25
Contingency for Investigations/Irregularities	17.50	20	87.50
Specific Service Duties	39.25	25	157.00
Sub Total	422.25	449	94.04

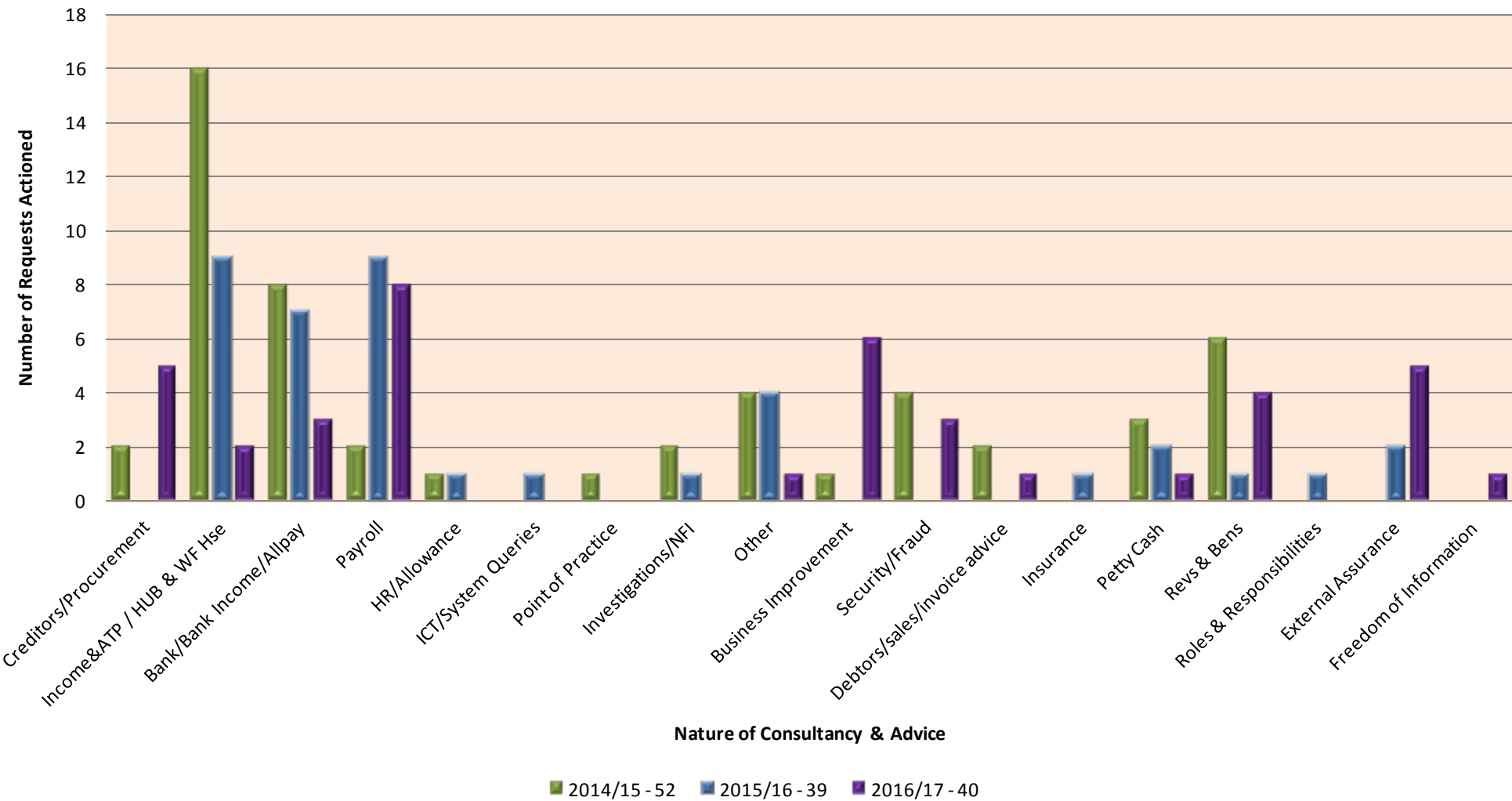
TARGET 95.00%

Audit Resource Statistics

→ Overall for the full financial year of 2016/17 **94.04%** of the audit plan has been achieved against the target of 95% in comparison to a **93.99%** for the 2015/16 financial year.

→ Within the time allocated in the above table, during this fourth and final quarter of 2016/17 the Internal Audit Team have responded to 40 requests for advice and consultancy as categorised in the graph overleaf, in comparison to the 39 requests received and actioned for the same period for 2015/16 and the 52 requests received and actioned for the same period in 2014/15.

Comparison of Audit Consultancy & Advice Quarter 4 (January to March) 2014/15, 2015/16 & 2016/17



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 during this final quarter for which a formal report is not issued, however time had been allocated within the 2016~17 Internal Audit Annual Plan approved by the Audit Committee in March 2016 as summarised below:-

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Security Group; assist the Data Management and Transformation Officer in his role as Data Protection Officer for the Council.
- Attend the Information Governance Working Group
- Supporting the ICT Manager in respect of the certification of the Public Services Network and the Payment Card Industry Rules.

Contracts & Procurement

- Continued monitoring of the spend against the Public Realm Scheme.{Capital Scheme}
- Monitoring of the final payments in respect of the Leisure Centre.
- Continued review of the Procurement Card expenditure.

Wyre Forest Forward ~ Interventions/Continuous Improvement Work

As part of the Consultancy and Advisory role of Internal Audit and request for specific projects, members of the Internal Audit Team continue to be involved in Wyre Forest Forward continuous improvement 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 may be met from the Innovation Project funds or other available resources. 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.

During this quarter the Senior Auditor continued to attend and support the current Garage Intervention Group led by the Director for Community Well Being & Environment.

Corporate Issues

During the quarter, Internal Audit have also undertaken work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office in preparation for the 2016~17 programme of work which commenced in January 2017 following the release of matched data.

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.

→Redditch Borough Council have funded additional assurance work in respect of Payroll to assist with a change in Payroll Manager and system upgrade;

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. This has been achieved 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}, Payroll to include Members Allowances; Payments for Housing Benefit, and arrangements under the Council Tax Reduction Scheme for claimants.

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 2016 TO 31ST DECEMBER 2016 - KEY SYSTEMS	
QUARTER ENDED 30TH JUNE 2016	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2015~16 Benefits Reconciliation {Allowances Paid & Overpayments Recovered}	F
2015~16 Council Tax ~ Compliance	F
2015~16 Council Tax ~ Reconciliations {Incorporating Gross Debit}	F
2015~16 Council Tax Local Reduction Scheme ~ Compliance	S
2015~16 NNDR ~ Reconciliations {Incorporating Gross Debit}	F
2015~16 Payroll Reconciliation {WFDC Accountancy}	S
2015~16 Treasury Management	F
QUARTER ENDED 30TH SEPTEMBER 2016	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2015~16 Accounts Payable {Corporate Creditors} Compliance & Reconciliations	S
2015~16 Accounts Receivable {Corporate Debtors} Compliance	S
QUARTER ENDED 31ST DECEMBER 2016	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
-	-

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

31st MAY 2017

INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2016/17

OPEN	
CABINET MEMBER	Councillor Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 - Internal Audit Annual Assurance Report – 2016/17

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Annual Assurance Report for 2016/17

2. RECOMMENDATIONS

- 2.1 **The Audit Committee is asked to APPROVE the Internal Audit Annual Assurance report for 2016/17 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:
- include an opinion on the overall adequacy and effectiveness of the Council's internal control environment

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- 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, as revised 2016.

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 require 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 2016/17 together with those of the previous year are as follows:

		KEY SYSTEMS <u>Assurance Level</u>			SUBSIDIARY SYSTEMS <u>Assurance Level</u>			TOTAL
		Full	Some	Limited	Full	Some	Limited	
2016~17	Number	15	13	0	3	0	0	31
2015~16	Number	11	19	0	3	1	0	34

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- 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 2016/17 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/Progress Reports issued during the course of audit reviews. The aim of the Action Plans/Progress Reports 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 as updated in 2016 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.
- 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 regulation 3 {Responsibility for Internal Control} requires 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 regulation 5 (1) {Internal Audit} requires 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 regulation 6 (1) {Review of Internal Control} requires 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 2016/17 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 Council’s 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 Council’s processes as reported to this committee on 26th September 2016 and 20th March 2017. 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 - 2016/17 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 2016/17. 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 improved during 2016/17 and remains satisfactory.
- 9.4 A review of the effectiveness of internal audit for the financial year 2016/17 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)
 - 21st March 2016 ~ Audit Committee ~ Internal Audit Annual Audit Plan 2016/17
 - 30th June 2014 ~ Audit Committee ~ Self Assessment: Compliance with the UK Public Sector Internal Audit Standards
 - 28th November 2016 ~ Audit Committee ~ Internal Audit Charter

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL ASSURANCE REPORT – 2016/17

Internal 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 2017 has been undertaken in accordance with the approved Audit plan 2016/17. The work undertaken has met the requirements of the Council's External Auditors and is in 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 26th September; 28th November 2016; 20th March and 31st May 2017. These reports include a summary of the work undertaken in each quarter.

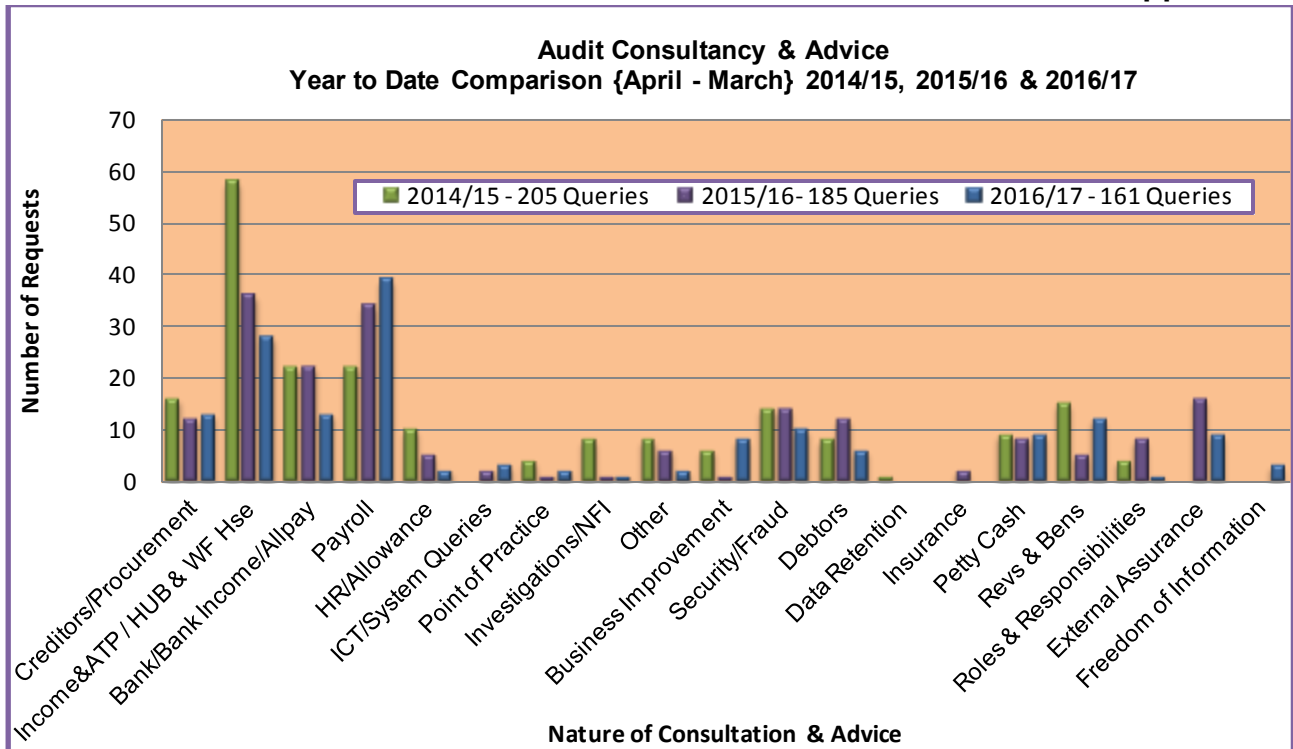
The internal control weaknesses identified from final and draft reports relating to the 2016/17 financial year have been considered in the preparation of this annual report. Where control weaknesses were identified, Management action plans are in place and are subject to ongoing review.

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

Year ended 31st March 2017

	<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	247.50	289	85.64
ICT Audit (Governance, Advice & Assistance)	14.25	40	35.63
Contract Audit/Procurement	40.00	25	160.00
Consultancy and Advice	30.50	30	101.67
Commissioned Projects	33.25	20	166.25
Contingency for Investigations/Irregularities	17.50	20	87.50
Specific Service Duties	39.25	25	157.00
Sub Total	422.25	449	94.04

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 2016/17, 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 2016/17 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 –2016/17 (CONTINUED)

Internal Control Environment (Continued)

- The findings and recommendations of the External Auditors reported to the Audit Committee on 26th September 2016 as part of the 2015/16 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 28th November 2016. 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 decommissioning 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 2016/17 and 94.04% of this plan has been completed by April 2017. Internal Audit reports have been reported to members of the Council's Corporate Leadership Team and the Audit Committee.

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

The work of the Internal Audit section is undertaken in accordance with recognised practices and standards and procedures are continually reviewed and refined in order to ensure compliance. This was evidenced with a report to the Audit Committee on 30th June 2014 detailing the self assessment of the Internal Audit Team against the UK Public Sector Internal Audit Standards as adopted in 2013. The best practice check list is currently under detailed review to reflect the changes of the working practices of the Internal Audit Team to take into account the restructure within the team and the updates to the standards from 2016. The outcome of this review will be formally presented to the Audit Committee in July 2017. It is intended that the current refresh of the self assessment will demonstrate the strengths of the current Internal Audit Team and support the external assessment due for completion by 31st March 2018, which is a requirement of the new Standards.

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 2016/17 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 for the Council.

Agenda Item No. 6

Appendix 1

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 core structure of the Internal Audit Team remained unchanged for 2016/17 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 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 June 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. The position of Internal Audit Apprentice whilst providing scope for succession planning within the current structure, has allowed for more detailed testing within the core financial systems as part of the mentoring of the apprenticeship training for 2016/17.

During 2016/17 additional audit days have been worked to provide necessary assurance as part of Payroll and HR21 system changes including an upgrade. The majority of this work has been funded either by Redditch Borough Council who have commissioned specific projects {Payroll/HR21}. It is anticipated that this will continue into 2017/18 using the flexible resources of the Internal Audit Team. In addition support has also been provided by the Internal Audit Team to the Garage & Depot interventions as part of the Wyre Forest Forward Programme to provide for continuous improvement and supporting the income generation initiatives.

During 2016/17 the Internal Audit Team at the specific request of the Service Managers 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:-

- ➔ Review of working practices within the Civil Enforcement Team;
- ➔ Review of procedures for the distribution of system generated letters;
- ➔ Review of election payments and procedures.

In addition to the planned work the Internal Audit Team have also undertaken work in other areas for which a formal report is not issued, however, time has been allocated within the Internal Audit Plan:

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Security Group; assist the Data Management and Transformation Officer in his role as Data Protection Officer for the Council.
- Attend the Information Governance Working Group.

Contracts & Procurement

- Continued monitoring of the spend against the Public Realm Scheme. {Capital Scheme}
- Continued monitoring of the spend for the construction of the New Leisure Centre.
- Review the Procurement Card expenditure following the cessation of petty cash from April 2016.
- Review of the Corporate Dress contractual arrangements across the various Council Services.
- Assist with a fundamental review of the Corporate Contract Procedure Rules & Financial Regulations. **NB:** Approved by Council 25.05.16

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

8th May 2017

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
WEDNESDAY 31ST MAY 2017

ANNUAL GOVERNANCE STATEMENT

CABINET MEMBER	Councillor Nathan Desmond
DIRECTOR	Chief Financial Officer Ext 2100 tracey.southall@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Annual Governance Statement 2016/17

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 20th March 2017.
- 3.4 In relation to the 2016/17 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 2016/17 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 31st May 2017.

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)

10.2 Delivering Good Governance in Local Government CIPFA/SOLACE.

10.3 UK Public Sector Internal Audit Standards April 2013.

10.4 Audit Committee Reports 20th March 2017.

WYRE FOREST DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016-17

What is the annual governance statement?

Legislation requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Wyre Forest District Council's governance framework for 2016-17 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas over the coming year.

What do we mean by governance?

By governance, we mean the arrangements that are put in place to ensure the intended outcomes for local people are defined and achieved. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled. Good governance is about making sure the Council does the right things, in the right way for the right people, in a timely, inclusive, open, honest and accountable manner.

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, Town Hall, Kidderminster DY10 1DB. 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 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 following diagram shows core principles and how they are delivered within the robust framework at Wyre Forest:

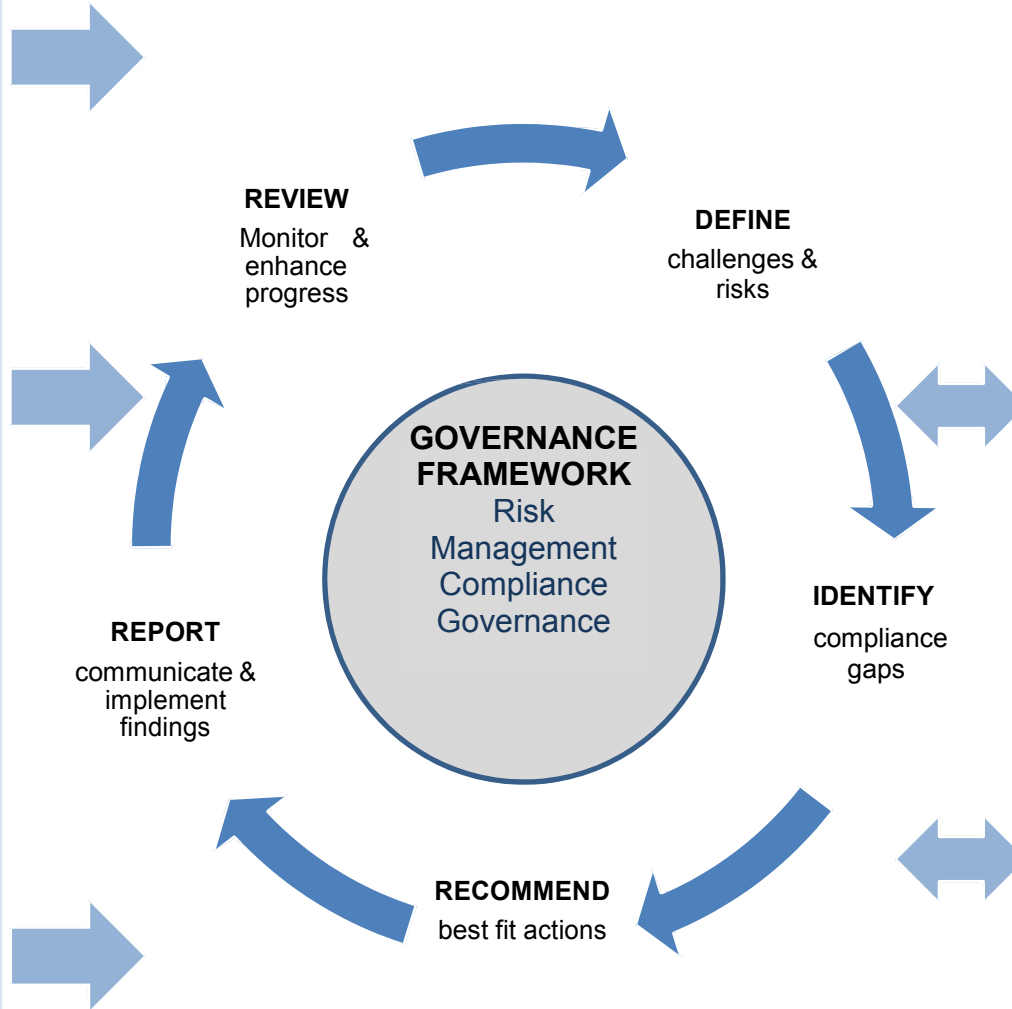
WYRE FOREST DISTRICT COUNCIL

GOVERNANCE PRINCIPLES

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

INTERNAL CONTROLS

- Leadership, Culture and Planning**
Organisational goals and priorities
Strategic and operational plans
Performance management
Medium term financial strategy
- Statutory Officers & Decision Making**
The Constitution
The Monitoring Officer
Section 151 Officer
- Policies & Procedures**
Codes of conduct
Ways of working
Anti-fraud, Bribery and Corruption Policy
Whistleblowing Policy
HR Policies and procedures
Corporate Communications and Engagement Programme
- People, Knowledge, Finance, Assets**
Robust HR practices
Information governance
Performance monitoring and improvement
Financial management and reporting
Ethical & legal practices
- Scrutiny and Transparency**
Freedom of Information requests
Complaints procedure
Reports considered by legal and finance
Overview and Scrutiny Committee
Equality impact assessments
Corporate risk directory
Transparency duty publication
- Partnership Working**
'Love to get involved'
'Let us know'
Consultations
Community Localism fund



The governance framework has been in place at Wyre Forest District Council for the year ended 31st March 2017 and up to the date of approval of the statement of accounts.

WYRE FOREST DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016-17 (continued)

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, including consideration of progress against issues identified in the Annual Governance Statement, see agenda item 11 of the Audit Committee Agenda 20th March 2017 on our website at http://www.wyreforest.gov.uk/council/docs/doc51784_20170320_audit_agenda.pdf

Regular reviews are carried out by the Corporate Leadership Team, including during March and again in April 2017. These reviews take into account:

- the Internal Audit Annual Assurance report from the Section 151 Officer as Chief Financial Officer in consultation with the Audit Manager for 2016-17;
- comments of other review agencies, inspectorates and external bodies, including LGA Peer Review;
- the findings and recommendations of the External Auditor's Annual Audit Letter reported to the Audit Committee on 26th September 2016.

WYRE FOREST DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016-17 (continued)

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 approved by May 2016 Council. This ensured it remains up to date for the Accounts and Audit Regulations 2015 and reflects 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 26th September 2016 was considered at its meeting on the 20th March 2017.

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 2016-17 Annual Audit Plan.

The Council's Internal Audit complies with the UK Public Sector Internal Audit Standards and continues to receive regular updates, the last one being in September 2016. The service has also adopted an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards that was updated at the November 2016 Audit Committee meeting. A number of other internal and external reports considered the challenges around governance, including the CIPFA delivering good governance in Local Government framework 2016 reports to ensure all appropriate controls and updates are in place across the Council discussed at the March 2017 meeting. The June and September 2016 Audit Committees received reports on the implementation of Counter 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 Policies are regularly reviewed to reflect the environment and challenges faced by local government and will build on the Fighting Fraud & Corruption Locally Strategy published in March 2016.

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 Audit Committee with their Update Reports being of particular interest. In addition to this, the Council is also subject to formal review by government inspectorates and has been the subject of a LGA Peer Review in March 2017 that considered financial planning and viability in detail. Feedback from this independent process was positive and the constructive key recommendations to the Council have informed the Annual Governance Statement issues identified which will be addressed.

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 in the table that follows:

Significant Governance Issues for 2016-17

Wyre Forest District Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2015-16 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	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, the US economy volatility and impact of the "snap" General Election in June 2017.	Highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	<p>a) To continue to actively participate in and understand/model the impact of 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.</p> <p>b) Further work around income generation, commercialisation and expenditure reductions. Further develop and evolve the Financial Strategy to include: –the potential impact of growth and investment on business rates, Council Tax, planning gain, and broader economic outcomes for the district. (scenario planning) -potential for large scale service redesign, alternative delivery and service providers, digitalisation and demand management - a review of the approach to underspends and reserves so that base budget and forecasting are as accurate as possible;</p> <p>c) Further develop thinking about the Council's future role and purpose post 2020. Better align the Corporate Plan, Financial Strategy and future operating model so there is a more cohesive and compelling narrative about what the Council is striving to achieve and how it will deliver its priorities, including the ways by which it will remain financially viable, and the further organisational transformation required.</p>	<p>a)/b) Balanced Medium Term Financial Strategy (MTFS) for 2018-21 with developed proposals for significant savings/cost reductions to close the increased funding gap from 2018-19. The MTFS report to also include sensitivity analysis around the impact of potential growth and investment</p> <p>b)Proposals for savings as part of MTFS 2018-21</p> <p>b)More accurate budget monitoring reports to reduce large unexpected variances at year end</p> <p>c)MTFS 2018-21</p>	Chief Financial Officer, Chief Executive and whole Corporate Leadership team	December 2017 to February 2018

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
2	Continue with the initiatives and innovation to achieve income generation and cost savings, including a refresh of the Wyre Forest Forward Programme and robust monitoring with the opportunity to challenge as appropriate, against savings plans, to meet the increased targets from 2018-19.	Highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	Continue with the initiatives and innovation to achieve income generation and cost savings, including a refresh of the Wyre Forest Forward Programme and robust monitoring with the opportunity to challenge as appropriate, against savings plans, to meet the increased targets from 2018-19.. CLT to update 'Plan on a Page' to refresh the Wyre Forest Forward Programme.	Income targets included in MTFS are exceeded Refreshed Wyre Forest Forward Programme	Corporate Director of Community Well-Being and Environment supported by the Leadership team Leadership Team	Quarterly Progress check CLT Meeting in May/June 2017
3	To progress the implementation of the new policies for the Loans to Third Parties of £10m and Capital Portfolio Fund of £25m. To clarify the intended impact of these £35million investment policies the Financial Strategy and the Corporate Plan priority to deliver a successful local economy as part of this work;	MTFS 2017-20, endorsed by Peer Review	a) Appoint Property Investment Manager b) Prepare Property Investment Strategy c) Prepare parameters/guidance for loans to third parties policy d) To make proposals for suitable investment opportunities and secure approval and implementation/acquisitions.	a) Post holder in place b) Property Investment Strategy approved c) Parameters/ guidance for loans to third parties approved and published d) Implementation of approved proposals/acquisition of portfolio assets that secure net income streams	CLT - Corporate Director of Economic Prosperity and Place, Chief Financial Officer, Report Authors	a) July 2017 b) June Cabinet for Property Investment Strategy including c) parameters/ guidance for policy on loans to third parties d) By year end March 2018

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	Focus on emerging Information governance issues and non benefit fraud utilising the Compliance Officer and Corporate Fraud Investigator/Corporate Debt Recovery resources. Performance and impact of these resources to continue to be closely monitored and reported.	Annual Governance Statement 2014-15 and MTFS 2017-20	<p>a) Information Governance Group to continue to meet regularly to progress actions</p> <p>b) Compliance Officers within the Revenues & Benefits Section in post since March 2015. They are responsible for protecting and increasing the tax base through regular monitoring and reviewing council tax discounts and exemptions to ensure they are legitimately claimed. There has been a recent decision to invest in more staff for council tax and business rates recovery jointly funded by Worcestershire County Council to maximise Council Tax Income. The impact of this additional resource will be monitored regularly in terms of the recovery rates.</p> <p>c) Corporate Fraud Investigator/Corporate Debt Recovery Officer post now well established; Corporate Fraud Policies reviewed and updated; Annual Report on outcomes from this new post will be reported to the Audit Committee. The full impact of this resource will be closely monitored</p>	<p>a) Implementation timetable achieved</p> <p>b) Income collected in terms of £s and % recovery rates</p> <p>c) Reports to Audit Committee will assess success of Corporate Fraud service</p>	<p>Chief Executive, Chief Financial Officer Revenues, Benefits & Customer Services Manager</p> <p>c) Chief Financial Officer/Audit Manager</p>	<p>a)Ongoing consideration via Information Governance Group</p> <p>b)Monthly reporting of collections rates/amounts and half-yearly review of impact of extra resource for collection</p> <p>c) July Audit Committee for Fraud Update report</p>

5	<p>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 includes Public Sector Partnership Wyre Forest LLP set up on the 22nd March 2017 and the proposed property Local Authority Trading Company (LATC), localism, joint operations and potentially devolution and combined authorities</p>	<p>Annual Governance Statement and MTFS 2015-16</p>	<p>a) Ensure new partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust</p> <p>b) Ensure arrangements for traded services and arms-length organisations are fit for purpose</p> <p>c) Progress work with PSP Wyre Forest LLP by allocating sites/projects within the district for this new partnership arrangement to explore</p> <p>d) Ongoing investigation of various structures for different arrangements, for example Property LATC</p>	<p>a)/b)Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet</p> <p>c)That work with PSP Wyre Forest LLP commences and delivers some tangible outcomes</p> <p>d) Reports prepared for proposals for alternative service delivery models</p>	<p>CLT – Corporate Director of Economic Prosperity and Place author of Property LATC report, designated officers for PSP</p>	<p>a)/b)Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2017-18</p> <p>c)PSP utilised by end of 2017-18</p> <p>d)July Cabinet for Property LATC report</p>
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WYRE FOREST DISTRICT COUNCIL

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6	Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats;	Corporate Risk Register and ICT Strategy Board	Quarterly review of network security	PSN compliance, secure network	ICT Manager/ Chief Financial Officer	Ongoing reports to ICT Strategy Board, Cabinet Members and Group Leaders
7	Wider communication of priorities and purposes and also further development of the approach to consultation, engagement and involvement of communities and stakeholders	LGA Peer Review	<p>The Media team to provide a narrative on rationale behind investment in priorities and the outcomes, impact and return on investment being sought and share as media communications.</p> <p>To explore ways that the Council can further develop the approach to consultation, engagement and involvement and prepare a marketing plan of actions.</p>	<p>Survey to test wider understanding of priorities and purposes.</p> <p>Improved consultation responses</p> <p>LGA Peer Review visit in early 2018</p>	Chief Executive/CLT Media Team to prepare proposals	September 2017 – February 2018

WYRE FOREST DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016-17 (continued)

We propose over the coming year to take steps to address the matters detailed in the above table 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.

Ian R Miller
Chief Executive

Marcus J Hart
Leader of the Council

31st May 2017

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE REPORT****31st May 2017****STATEMENT OF ACCOUNTS 2016/17**

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 2016/17 Budget

1. PURPOSE OF REPORT

- 1.1 To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2016/17.

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.

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, 2017.
- 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 closedown processes. This has been a successful exercise and providing learning points for next year when the earlier closedown is a statutory requirement.
- 3.3 Cabinet considered the provisional outturn position in relation to the Final Accounts for 2016/17 on the 23rd May 2017. Cabinet was asked to note additional funding for the following significant earmarked reserves from the surplus in 2016/17. The first was for

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the top-up of the Innovation Fund £150k, the second was £300k top-up of Business Rates/Equalisation/Regeneration Risk Reserve.

- 3.4 The Statement is then subject to audit. Whilst the Council's external auditor, Grant Thornton, has until 30th September 2017 to complete the audit, an earlier timetable of the end of July is planned for this year in preparation for the earlier statutory timeline for the 2017/18 accounts. We do however still have until the 30th September to formally publish the 2016/17 Statement.
- 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 5th June 2017 and 14th July 2017. 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 £662,540. This is subject to audit and after the creation of the earmarked reserves for the top-up of the Innovation Fund £150k and £300k top-up of Business Rates Equalisation/Regeneration Risk 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. There is a planned contribution from reserves in 2017/18 of £308,420 and the forecast impact of changes to the Funding regime mean that by 2019/20 transfers from reserves are required of around £800,000. The overall funding gap increases to around £2m from 2019/20 and further work on the Wyre Forest Forward Savings Strategy is actively being progressed 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 further detail on the Funding Reform.
- 4.2 Business Rates – Provisional Final Position
 - 4.2.1 This has been the fourth year of the Business Rates Retention Scheme and the first year of operation of the smaller Worcestershire Business Rates Pool without Malvern Hills District Council. Draft results for this year are extremely positive for the Pool overall and also for Wyre Forest with the Pool retaining total levy of £1.18m, of which 50 percent (after deduction of the £10k Worcestershire County Council administration fee) is held in a risk reserve with the remainder distributed to Pool members. This Council has achieved our revised budget estimate of £2.802m including our estimated share of retained growth of £200k over baseline.

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- 4.2.2 Several factors have contributed to this good news. Firstly, growth has been more positive this year. Secondly, whilst appeals remain a risk, and the new Rating list issued by the Valuation Office effective from April 2017 has caused some concern, it has been possible broadly to manage new appeals and bad debt provision within our previous provision levels. These factors, together with no significant business failings in 2016/17, have contributed to the Council's results. Based on the membership agreement of the Worcestershire Business Rates Pool, we will pay circa £210k into the risk reserve this year, and the risk pot for the whole Pool will be circa £712k to take forward to 2017/18. We should receive a Pool payment for our share of the retained levy of £89k based on our growth. 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.
- 4.2.3 As part of the 2015/16 Final Accounts Process a Business Rates Equalisation/Regeneration Risk Earmarked Reserve was approved of circa £570k towards risk mitigation of unforeseen increases in appeals, the impact of the ongoing Business Rates reform and or decline in growth. Approval of circa £140k from this reserve was approved for the demolition of Bewdley Medical Centre and it has also been necessary to apply a further £160k to achieve this year's estimated growth (as a result of the retrospective accounting requirement for business rates). To preserve this essential risk reserve at the previous level it is therefore necessary to allocate £300k as part of the Final Accounts process.
- 4.3 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2016/17. These variances include:
- i) Pay, General Administration and Miscellaneous Corporate savings of £209k
These relate to various accounts across the whole of the Council rather than any single front line service. It is clear that reductions have been made in expenditure across the Authority as austerity continues. This includes savings in pay budgets of £94k most of which is for vacant posts where recruitment has taken longer than anticipated, reductions in overtime and agency and £52k of General Administration savings as a result of tight housekeeping on these generic budgets.
 - ii) Revenues (Council Tax) service running costs, positive variance of £51k
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 impairment improvement – favourable variance of £48k
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 £25k
The net favourable variance is made up of savings in property costs/extra income
 - v) Depot increased Income of £76k
Increased income as a result of promotional work at the depot.

- vi) Development Control – extra Income of £40k
Additional income over and above the budget estimate was received in the final quarter from Development Control for 2016/17.
- vii) Housing Benefit Overpayments – improved recovery of debts - £190k
Improved recovery of benefit overpayments during 2016/17.
- viii) Additional External Interest income/lower interest paid on loans of £71k
This additional interest on investments has resulted from slightly longer durations and robust treasury management of funds together with lower interest rates paid on external borrowing compared to budget assumptions.
- ix) Car parking savings in running costs of £54k
The costs of car parking repairs and maintenance, including site maintenance have been managed down to achieve budget savings.
- x) Cultural and leisure services net saving/ additional income of £20k
Careful management of this budget has resulted in reduced costs and increased income over most budget areas.
- xi) Additional Business Rates Equalisation/Regeneration Risk earmarked reserve for this year of £300k
The variance analysis includes expenditure to replenish the existing Business Rates Equalisation/Regeneration Risk earmarked reserve to its previous level of £570k to wards risk mitigation of future appeals and the impact of the ongoing system reform as detailed in paragraph 4.2.
- xii) Release of earmarked reserves – favourable variance of £310k
Existing and new requests for earmarked reserves were subject to additional challenge this year and this resulted in a release into general reserves of circa £310k.
- xiii) Other additional earmarked reserves new for this year of £150k
The variance analysis includes expenditure of £150k to replenish the Innovation Fund to assist the Wyre Forest Programme of Innovation.

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 in the run up to and beyond the exit from the European Union. The reduced level of funding currently programmed for the Council in the future is being mitigated by a raft of innovative reviews being developed and implemented as part of the Wyre Forest Forward programme.

4.5 The draft position for 2016/17 demonstrates that through prudent financial management and the review and release where relevant of existing earmarked reserves resources were made available to fund additional earmarked reserves (net of release of reserves) as set out in paragraph 3.7.

4.6 The Innovation Fund set up in 2011/12 for one-off implementation costs to support the Wyre Forest Forward programme has been extremely successful in delivering the change programme. This report proposes an additional £150k to supplement this

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reserve from final account savings. Taking this into account £405k remains uncommitted from this fund at the end of 2016/17.

- 4.7 The Audit Committee is asked to note additional funding for the following significant earmarked reserves from the surplus in 2016/17. The first is the top-up of the Innovation Fund £150k, the second is the replenishment of the Business Rates Equalisation/Regeneration Risk Reserve by £300k.
- 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 2017/18 and beyond, inevitable further austerity measures expected and also the continuing Welfare Reform changes.

5. FINANCIAL IMPLICATIONS

- 5.1 It is very welcome that the positive variance of £1,112,540 compared to the Revised Budget, reducing to £662,540 following the creation of additional significant earmarked reserves, results in a contribution to General Reserves of £1,174,590 rather than the planned contribution to reserves of £512,050. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2018/19 onwards. The saving is greater than reported at Quarter 3 budget monitoring due to a number of events and decisions in the last quarter coupled with year-end transactions and the release where possible of earmarked reserves.
- 5.2 These remain extremely challenging times for the Council given the impending changes to the landscape of the Government's funding regime that will continue to emerge as consultation 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.
- 5.3 Total general reserves available for the 2018/21 Financial Strategy should now stand at circa £3.914m compared to the previous forecast of £3.251m

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 2017, 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 2017 and provides information on the creation of further significant earmarked reserves.

10. CONSULTEES

- 10.1 CLT/Cabinet
10.2 Grant Thornton – External Auditors

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2015
Financial Strategy 2017/20
Cabinet Report 23rd May 2017

PROVISIONAL OUTTURN
MAJOR VARIATIONS BETWEEN REVISED BUDGET
AND ACTUAL NET EXPENDITURE FOR 2016/17

Total Revised Budget 2016/17

£
12,681,140

LESS:

Actual Net Expenditure - not finalised - still subject to validation

12,021,630

SAVINGS COMPARED TO 2016/17 REVISED BUDGET

(659,510)

Increase in Funding from Business Rates/other Govt funding

(3,030)

OVERALL SAVING COMPARED TO REVISED BUDGET INCLUDING FUNDING

(662,540)

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
Chief Executive		
1. Housing Benefit - improved recovery of benefits overpayments during 2016-17		(189,500)
2. Wyre Forest House savings in property running costs and improved income		(21,300)
3. Council Tax - savings in service running costs including reduced fees for court costs		(50,600)
4. Bank Charges - good management of expenditure and income processes		(15,400)
5. Release of Earmarked Reserves to General Reserves (pensions and Benefits)		(190,000)
Community Well Being and Environment		
1. Depot Services - Increased income		(76,400)
2. Sport Pitches - reduced building and ground maintenance costs		(23,600)
3. Community Development - income target not achieved	12,000	
4. Nature Reserves - reduction in maintenance of grounds costs and grant income received for salaries		(23,300)
5. Car Parks - reduction in maintenance costs and increase in income		(54,100)
6. Kidderminster Town Hall - reduced income due to refurbishment works	15,700	
7. Release of Earmarked Reserves to General Reserves		(22,900)
Economic Prosperity and Place		
1. Other Property (including Industrial properties) - reduction in income due to write off	15,200	
2. Wyre Forest Property Services - reduction in consultancy fees		(19,400)
3. Development Control increased income received in final months of 2016/17		(40,000)
4. Building Control Fees - Release of funds		(20,400)
5. Release of Earmarked Reserves to General Reserves		(9,100)
Capital Account		
1. Interest - reduced interest on external borrowing due to Capital Programme rescheduling to later years/improved rates achieved and additional income from investments		(71,400)
2. Reversal of impairment to reflect improved final recovery for KSF Icelandic investment		(48,300)
3. Release of Icelandic Earmarked Reserves to General Reserves		(27,000)
Corporate Variations		
1. Payroll related savings		(93,600)
2. Admin Expenses - savings		(51,900)
3. Release of Ear Marked Reserve -for recovery of VAT re Trade Waste Voluntary Disclosure		(58,600)
4. Miscellaneous savings		(48,640)
5. Replenishment of Innovation Fund and increase in the Business Rates/Regeneration Risk Reserve	450,000	
	492,900	(1,155,440)
REDUCED NET EXPENDITURE ON YEAR 2016/17 - PROVISIONAL		(662,540)

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18 April 2017

Dear Tracey

Planned audit fee for 2017/18

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions 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 Audit 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](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

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 changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £48,936.

The audit planning process for 2017/18, 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 2017/18 will be undertaken under this Code, on the basis of the [2017/18 work-programme and scales of 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); and
- our work on your whole of government accounts return (if applicable).

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 2016. 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 had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

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 2017	12,234
December 2017	12,234
March 2018	12,234
June 2018	12,234
Total	48,936
Housing Benefit Certification	tbc

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December to March 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in May 2018 and work on the whole of government accounts return in July 2018.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December to March 2018	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 to July 2018	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	July 2018	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2018	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	By December 2018	Grant certification report	A report summarising the findings of our housing benefit certification work

Our team

The key members of the audit team for 2017/18 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	Kathryn Kenderdine	0121 232 5316	kathryn.a.kenderdine@uk.gt.com

Additional work

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

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact 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