

Open

Audit Committee

Agenda

6pm
Monday, 31st July 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

Monday, 31st July 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 31st May 2017.	5
5.	Audit Finding Report for Wyre Forest District Council – 2016/17 Accounts To receive a report from Grant Thornton detailing the findings of the audit of accounts for 2016/17. The results of the audit presented in this report are subject to final confirmation by Grant Thornton.	10
6.	Statement of Accounts To receive a report from the Chief Financial Officer/Principal Accountant on the Statement of Accounts 2016/17.	46
7.	Internal Audit Monitoring Report Quarter Ended 30th June 2017 To receive a report for the Audit Manager/S151 Officer which informs Members of the Internal Monitoring Report for the quarter ended 30 th June 2017.	61

8.	<p>Internal Audit Public Sector Internal Audit Standards</p> <p>To receive an update from the Audit Manager/S151 Officer on compliance with the Public Sector Internal Audit Standards.</p>	78
9.	<p>Update on Implementation of Counter Fraud Arrangements</p> <p>To receive a briefing paper from the Audit Manager on the progress of the implementation of the Fighting Fraud and Corruption Locally Agenda.</p>	82
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>	
-----	---	--

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

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

31ST MAY 2017 (6PM)

Present:

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

Councillor Hingley thanked those Members who attended the Audit Committee training and the recent Viability training.

AUD.1 Apologies for Absence

There were no apologies for absence.

AUD.2 Appointment of Substitutes

Councillor C Rogers attended as an observer.

AUD.3 Declarations of Interests by Members

No declarations of interest were made.

AUD.4 Minutes

Agreed: The minutes of the meeting held on 20th March 2017 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.5 Internal Audit Report – Quarter Ended 31st March 2017

The Panel considered a report from the Audit Manager regarding the Internal Audit Report for the Quarter ended 31st March 2017.

Councillor Onslow asked for confirmation that the reference to full council tax compliance included adjustments to council tax bills as well as the initial bills that are sent out at the start of the financial year. The Audit Manager confirmed that this was the case to which Councillor Onslow gave high praise.

Councillor Shaw commented that it would be impossible to get things right all of the time and highlighted that any errors were very minor.

Councillor Onslow expressed her thanks to the ICT team for their preventative action following the cyber attack on the NHS and ensuring Wyre Forest District Council was kept as safe and secure as it could be.

Agenda Item No. 4

Councillor Hingley thanked the Audit Manager for her comprehensive report and advised the reports always provide reassurance for the committee.

Agreed: The report was noted.

AUD.6 Internal Audit Annual Assurance Report 2016/17

The Chief Financial Officer introduced the annual report and explained that it was part of the closure of accounts process. The Chief Financial Officer recommended to members that they approve the report.

Councillor Shaw requested that the Committee acknowledge the work that has been done by the relevant teams and commended the effectiveness of the governance arrangements that are in place. He highlighted that very few issues are raised with the Audit Committee and this is due to the effective processes and level of professionalism within the team.

Agreed: The Audit Committee:

Approved the Internal Audit Annual Assurance Report for 2016/17

AUD.7 Annual Governance Statement 2016/17

The Chief Financial Officer led Members through the report and explained that the Annual Governance Statement formed part of the Statement of Accounts but required separate approval.

The Chief Financial Officer explained that the look and feel of the Annual Governance Statement had been updated and an effort had been made to remove some of the technical terminology to make the statement more readable.

Councillor Shaw asked for clarification regarding the reference to more accurate budget monitoring reports to reduce large unexpected variances at year end. The Chief Financial Officer explained that it is difficult to be accurate as managers are naturally cautious when setting their budgets and this can quite often result in an underspend. The baseline budget will be reviewed annually in order to strive for as accurate a budget as possible.

Councillor Onslow asked if a final date had been set for the Business Rate Review. The Chief Financial Officer advised that this had been put on hold until after the election on the 8th June.

Councillor Onslow requested clarification on how a figure was reached for the budget regarding Business Rates. The Chief Financial Officer advised that she works closely with the Planning and NNDR team to get a snapshot of what is happening with businesses in the district (new builds, demolitions, vacant properties etc) and then this figure is considered alongside the baseline budget. Provision is also made for potential appeals.

Councillor Miah asked if the timing of the election was a cause for concern and whether the market would settle down after the election. The Chief Financial

Agenda Item No. 4

Officer advised that the biggest impact on the budget is treasury management and peaks and troughs in the market. The Chief Financial Officer said she thought it unlikely that this would settle down after the election.

Councillor Onslow queried how the loans to third parties and portfolio would be managed as the viability training highlighted that there are differences in opinion as to what is a good investment. The Chief Financial Officer assured the Committee that the Audit team would continue to build their skills in this area and there would also be external due diligence. Our external auditors will also monitor decisions that have been made. Richard Percival reiterated that the Audit Committee needed to be satisfied that there is a robust process in place that will inform any decision made. Councillor Onslow said that this gave her assurance as quite often audit takes place after an event has happened.

Councillor Miah asked if the new Property and Investment Manager was in post yet and whether they were within the team already. The Chief Financial Officer confirmed that the post had been filled by an external candidate and they were due to start on the 19th June.

Councillor Miah also raised concern that implementation of approved proposals/acquisition of portfolio assets would not be happening until March 2018 and questioned whether it should be sooner. The Chief Financial Officer explained that it is a case of waiting for suitable opportunities to arise and following a time consuming process to take any opportunities forward. The Chief Financial Officer advised that she was hopeful that some of the fund would have been used before the end of the financial year.

Councillor Hingley requested regular training for Members as they would be responsible for whether opportunities are taken forward and ensuring they are successful.

Councillor Onslow asked for clarification as to who represents Wyre Forest at the new PSP Board. The Chief Financial Officer confirmed that there are various layers of representation including officers, directors, the Chief Executive and the Leader of the Council.

Councillor Miah asked of lessons had been learned from the recent NHS Cyber attack and problems with computer systems at British Airways. The Chief Financial Officer advised that the ICT team knew of the NHS cyber attack on Friday but did not learn of the more technical issues surrounding the attack until the Saturday. Scheduled patching was bought forward and e-mails were sent to staff making them aware of the situation and providing guidance around e-mails with links/attachments etc. Staff had also had training in January regarding cyber security. The authority was as safe and secure as it could be.

Agreed: The Audit Committee:

Approved the Annual Governance Statement 2016/17.-

AUD.8 Statement of Accounts 2016/17

Agenda Item No. 4

The Chief Financial Officer advised Members that she was very proud to bring a full, professional set of accounts to the Audit Committee one month earlier than normal. It was requested that Members endorse the pre-audited version of the Accounts and approve that the Chief Financial Officer make minor changes between now and the audited version being considered at the next meeting.

Councillor Shaw queried the Housing Benefit Overpayment figure of £190k and how much of it we get back from Central Government. The Chief Financial Officer recognised that this was quite a large provision and that it would continue to be monitored on a quarterly basis. We would recover always endeavour to collect as much of the overpayment as we could.

Councillor Shaw asked for clarification regarding release of earmarked reserves being subject to additional challenge. The Chief Financial Officer explained that reserves are made in good faith but if they are considered to be no longer required then this is challenged by various sessions held by the Corporate Leadership Team throughout the year.

Councillor Onslow queried the two funds for Business Rates and asked why the one fund was so high. The Chief Financial Officer confirmed that these are two separate funds – one relates to how business rates are paid and one is provision for potential appeals. The Chief Financial Officer acknowledged that the appeals fund is a large sum but this provision does need to be made for any potential appeals in the future.

Councillor Onslow asked about the NWEDR reserves and whether this money would be spent in the Wyre Forest area or potentially across the whole of North Worcestershire. The Chief Financial Officer confirmed that it would depend on the nature of the reserve.

Councillor Onslow queried the statement on page 27 of the accounts that suggests income has gone down when she understands this not to be the case. The Principal Accountant confirmed that accounting technicalities make the figure fluctuate. The figures can vary depending on what else has gone through that account. The Principal Accountant will provide a more in depth analysis for Councillor Onslow.

Agreed: the Audit Committee:

Endorsed the pre-audit Statement of Accounts approved by the Chief Financial Officer.

Authorised the Chief Financial Officer to be authorised to make minor changes to the copy of the endorsed Statement of Accounts, prior to the statutory pre-audit deadline of the 30th June, should this be necessary.

AUD.9 External Audit Fee Letter

Grant Thornton commented that it was excellent to see the completed Statement of Accounts at the Audit Committee this early.

Agenda Item No. 4

Grant Thornton led Members through the letter and highlighted that the fee was the same as the previous year.

Councillor Onslow asked if Grant Thornton were required for any additional days. Grant Thornton advised that they were only required for additional days for Housing Benefit which, although covered under the contract, is charged separately. Grant Thornton will provide Councillor Onslow with the exact figure.

Grant Thornton highlighted that the lack of need for additional days reflected the excellent work the team is doing and that good financial statements are produced.

The fee was noted.

The meeting ended at 7.27pm.



The Audit Findings for Wyre Forest District Council

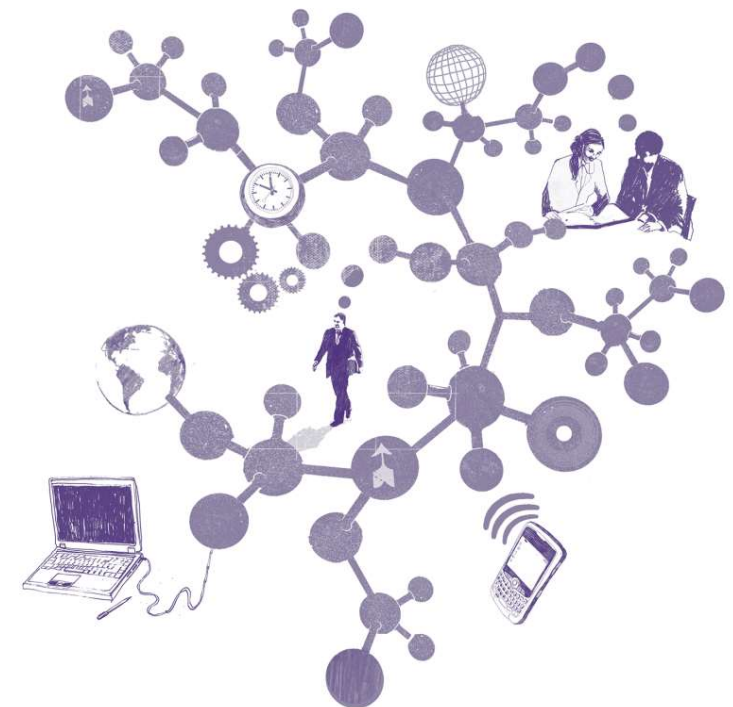
Year ended 31 March 2017

31 July 2017

Richard Percival
Engagement lead
T 0121 232 5434
E richard.d.percival@uk.gt.com

Zoe Thomas
Audit Manager
T 0121 232 5277
E zoe.thomas@uk.gt.com

Manthos Bournazos
Associate
T 0121 232 5424
E Manthos.Bournazos@uk.gt.com





Private and Confidential

Wyre Forest District Council
 Wyre Forest House,
 Finepoint Way
 Kidderminster
 DY11 7WF

Grant Thornton UK LLP
 Colmore Plaza
 20 Colmore Circus
 Birmingham
 B4 6AT
 T +44 (0) 121 212 4000
 www.grant-thornton.co.uk

31 July 2017

Dear Members of the Audit Committee

Audit Findings for Wyre Forest District Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Wyre Forest District Council, the Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Richard Percival
 Engagement lead

Chartered Accountants
 Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
 Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	22
4. Fees, non-audit services and independence	27
5. Communication of audit matters	30

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Wyre Forest District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2017.

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

- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of any revised versions of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion, and
- Whole of Government Accounts return

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

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position. The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £12.116m and this position is unchanged. We have however recommended a number of disclosure amendments to improve the presentation of the financial statements.

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

- The accounts were prepared earlier this year which puts the council and external audit in a strong position to meet the revised timetable for 2017/18.
- There were no major matters arising from the audit. The finance team supported the audit well, with requests for samples and responses to queries responded to quickly.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

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

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council. There are no matters that we wish to bring to your attention

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit Committee which is due in January 2018.

Audit recommendations

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Corporate Director: Resources.

We have made some recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Corporate Director: Resources and the finance team.

Acknowledgement

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

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We are planning to give an unqualified opinion on the accounts.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £947,000 (being 1.8% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £47,000. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000
Related parties disclosure	Due to public interest in these disclosures. Individual mis-statements will also be evaluated with reference to how material the transactions are to the other party.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Wyre Forest District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Wyre Forest District Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Reviewed the accounting estimates, judgments and decisions made by management • Reviewed the journal entry process • Tested usual journal entries back to supporting documentation • Reviewed unusual significant transactions 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Changes to the presentation of local authority financial statements CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have</p> <ul style="list-style-type: none"> documented and evaluated the process for the recording of the required financial reporting changes to the 2016/17 financial statements. reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>The Council had not included details of the prior period adjustment associated with this change in the issued draft of the accounts. The final version of the accounts included appropriate disclosures.</p>
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>We have</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. gained an understanding of the basis on which the valuation is carried out. undertaken procedures to confirm the reasonableness of the actuarial assumptions made. reviewed the consistency of the pension fund asset and liability and disclosures in the notes to the financial statements with the actuary report. 	<p>No matters arising.</p>

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of Wyre Forest Leisure centre and The Glades leisure centre site The Council opened Wyre Forest Leisure Centre in July 2016, in the prior year the leisure centre was classed as an asset under construction. The Glades Leisure centre is now demolished and the Stourport-on-Severn Leisure Centre site has been sold.</p>	<ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year in relation to these assets to ensure they are input correctly into the Council's asset register. 	<p>No matters arising from this work.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Employee remuneration accruals understated (Remuneration expenses not correct) 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding Completed the trend analysis for the financial year Reviewed the reconciliation of the payroll system to the general ledger <p>In addition we have</p> <ul style="list-style-type: none"> tested the amounts paid to individual employees on a sample basis to cover other risks 	<p>No matters arising from this work</p>
<p>Operating expenses</p>	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Creditors understated or not recorded in the correct period (Operating expenses understated) 	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding We have searched for unrecorded liabilities by reviewing payments after the year end Reviewed the accruals process and tested a sample of year end accruals to ensure they were appropriate. 	<p>No matters arising from this work</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that management's assertion that the Council can be considered a going concern is reasonable.

Significant matters discussed with management



We discussed with management the basis of accounting for the lease arrangement between Kidderminster Town Council and the District Council for the lease on Kidderminster Town Hall. The asset was transferred at nil consideration on 1 April 2016 from the District Council to Kidderminster Town Council. The District Council has a 99 year lease to manage the Town Hall at a peppercorn rent, ownership remains with Town Council. The District Council occupies 20 percent of the building and pays an annual rental of £50,000 to the Town Council for this. The lease arrangement is disclosed as an operating lease in the District Council's accounts.

The Corporate Director: Resources has concluded that whilst there are attributes that indicate that this arrangement could be treated as a finance lease, on balance it is an operating lease. We have considered whether this arrangement meets the definition of an operating lease under accounting standard IAS17. We have not challenged the Corporate Director: Resources's view, but pointed out that this is a critical accounting judgment and the nature of the judgement should be described in note 4 of the accounts. This amendment has been included in the final version of the accounts.

Any future change in these arrangements will require this accounting treatment to be reviewed. We also draw your attention to the new leasing standard, IFRS 16, which will apply to accounting periods ending after 1 January 2019. The application of this standard to local government accounts is yet to be determined by CIPFA. The Council will need to reconsider its accounting treatment of this lease arrangements for its 2018/19 accounts.



Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> Revenue and capital transactions are accounted for on an accruals basis where above the de-minimus thresholds Government grants and other contributions are recognised where reasonable assurance has been gained that the Council will comply with relevant terms and conditions and it is likely the amounts will be received Income receivable from the sale of good and rendering of services is recognised in line with the relevant conditions Collection fund income is recognised on an accruals basis 	<ul style="list-style-type: none"> The accounting policies are appropriate under relevant accounting framework i.e. CIPFA Code of Practice The accounting policy for revenue recognition has been adequately disclosed in the notes to the accounts The accounting policies adopted are consistent when benchmarked against other similar Local Government bodies 	<p style="text-align: center;"> green</p>
<p>Judgements and estimates</p>	<ul style="list-style-type: none"> Key estimates and judgements in the draft accounts included: <ul style="list-style-type: none"> Worcestershire regulatory services share of pension fund is included in the accounts Wyre Forest Glades site is included as an asset held for sale at 31 March 2017 Pensions liability Provision for business rate appeals <p>There was no reference to the Kidderminster town hall in the critical judgements.</p>	<p>We discussed the significance of these items, both in terms of value and the extent of judgement and disclosure. As a result some of the disclosures were changed and an additional disclosure made.</p> <p>We have assessed this area as amber to reflect that we are making a recommendation for future years.</p> <p>We are satisfied with the disclosure on critical judgements and significant estimates within the final version of the accounts.</p>	<p style="text-align: center;"> amber</p>

Assessment

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Corporate Director: Resources (s151 officer) has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 green
Other accounting policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 green

Assessment

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any undisclosed related party transactions.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation request(s) to Lloyds Bank, the main banking provider of the Council, other financial institutions with whom an investment deposit is held and various lenders. This permission was granted and the requests were sent. We have received responses to all the request issued.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements – although a prior period adjustment disclosure was required in relation to the presentation of the Comprehensive Income and Expenditure Statement (CIES).

Other communication requirements (continued)

	Issue	Commentary
7.	Matters on which we report by exception	<p>We are required to report by exception where there are matters in the following areas</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading. <p>We have no matters to report.</p>
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold and thus we simply complete a return and send it to the NAO.</p>

Internal controls

The controls were found to be operating effectively and we have no matters to report to the Audit and Governance Committee

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Unadjusted misstatements

There are no unadjusted misstatements:

Misclassifications and disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification: Current assets	-£2001 +£2001	Balance sheet: Short-term Investments Cash and Cash Equivalents	One of the 'Investments' had been incorrectly classified as an <i>investment</i> and is more accurately defined as <i>cash and cash equivalent</i> due to the term and access to the funds, in line with the code definition
2 Misclassification: cash-flow statement	-+£2001	As above	The above impacts on the transactions in the cash flow statement
3 Misclassification: financial instruments note 15	£2186 £2801	Note 15: Financial Instruments: Debtors Creditors	The debtors and creditors in this note were overstated as they included items that did not meet the definition of a financial instrument. The comparator has also been adjusted for this error. There is no impact on the primary statements. The note is also adjusted for the misclassification of cash and cash equivalents.
4 Disclosure	n/a	Note 2: Critical Judgements	The issue draft of the accounts included critical judgements in relation to Worcestershire Regulatory services pension and assets held for sale. These were considered to not be material items and thus were not considered to be critical judgements. The lease arrangement for the Kidderminster Town Hall was included as it was considered that a critical judgement had been made that the nature of the lease was such that it was an operating lease (asset off balance sheet) rather than a finance lease (asset on balance sheet)
5 Disclosure	£nil net impact	Note 16: Debtors	Under the Code, each class of debtor in note 16 should be shown at its recoverable amount. The draft accounts showed impairment for bad debts separately – the final draft shows each item net which now complies with the requirement of the Code.

Misclassifications and disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
6 Disclosure	N/a	Note 4: Comprehensive Income and Expenditure Statement (CIES) restatement	The Code requires the CIES to be restated in another format this year. This has been done and the reason for the changes adequately described. The Code required a note to be added and this has been done within note 4: <i>Prior Period Adjustment - Restatement of 2015-16 in accordance with a new Directorate reporting structure</i>
7 Disclosure	n/a	Note 34: Contingent Liabilities	We discussed with the Corporate Director: Resources the disclosures in the draft accounts and agreed that some of the disclosure were risks rather than contingent liabilities and it would be more appropriate to reflect these in the Narrative Foreword.
8 Disclosure	n/a	Narrative Foreword	Narrative Foreword did not refer to the transfer of the Town Hall to Kidderminster Town Council. The book value of the asset was £2.2 million and was transferred at £nil consideration. The District Council now leases part of the asset. We felt that this was a significant transaction that should be referred to in the Narrative Foreword.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

There are no matters that would lead us to issuing a qualified value for money conclusion

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that 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.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

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

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were in relation to the assumptions made in the medium term financial plan. We considered this area a significant risk due to uncertainties around future income streams and delivery of the savings plans. Unrealistic assumptions around income and savings would create a significant risk around the councils financial sustainability.

From our work we have concluded that there are appropriate arrangements in place to mitigate this risk

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 25 and 26.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

The council should invest resources into improving its arrangements for:

- In year budget forecasting
- Developing more sophisticated means of forecasting income, particularly where demand is uncertain or variable

Management's response to these can be found in the Action Plan at Appendix A.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Medium term financial plan The Council's financial forecast shows that doing nothing will result in a recurring deficit each year beyond 2016/17. Good progress is being made with the 'Wyre Forest Forward' programme and the Council is looking to make further savings across services. By 2019/20 the Council has a target of delivering almost £1m efficiency savings.</p> <p>There is an increasing emphasis on growing income, driven by the continuing reduction in central government funding. The Council is naturally focussing on growing business rates and council tax but also other areas, including letting out its property assets. Housing development and economic regeneration are key priority areas to both meet the council strategic ambitions and as drivers of increasing revenue.</p> <p>This is highlighted as a significant risk due to uncertainties around future income streams and delivery of the savings plans. Unrealistic assumptions around income and savings would create a significant risk around the council's financial sustainability.</p>	<p>We will review the assumptions in the medium-term financial plan. In particular:</p> <ul style="list-style-type: none"> • The level of savings planned within the MTFP and the reporting of delivery • The assumptions made around income, and income growth • The progress made with implementing key savings and income generation plans. 	<p>We concluded that the Council has made appropriate assumptions within the medium term financial plan in relation to its projected savings. Whilst there is currently a relatively large level of unidentified savings, the Council has adequate levels of balances to manage its financial position in the short to medium term. We noted that the council intends to rely more heavily on income generation to help it fill its savings gap. There are a number of initiatives in the pipeline, however these have yet to be built into forward plans although they are being considered actively as part of the work toward the 2018/19 budget. With increased reliance on demand led income, the Council will need to further develop its approach to forecasting income and enhance its approach to budget forecasting.</p> <p>The Council has a cumulative budget gap of £1.7 million by 2019/20. This comprises reliance on reserves of £0.7m and unidentified savings of £1 million.</p> <p>Delivery of savings to date has been strong. In 2016/17 the Council achieved all of its planned savings target and 93% of the planned savings for 2017/18. £2.6 million has been saved over the lifetime of the Wyre Forest Forward (WFF) initiative and subsequent plans. Schemes have generally created recurring savings.</p> <p>Our review of the monitoring and reporting on savings achievement indicate that arrangements are good. We have seen that there are detailed plans which are specific and measurable. Reports to officers and members are regular providing a high level overview of achievement and the gap to be filled, and these reports are consistent with the underlying monitoring.</p> <p>The Council has driven out considerable savings in the underlying budget and is now looking towards different ways of achieving savings through initiatives such as setting up a Local Authority Trading Company and increased working with partners.</p> <p>A key focus is on income generation schemes going forward. New initiatives such as the commitment in the 2017/18 budget to create a £25 million Capital Portfolio Investment Fund and a £10m Development Loans Fund demonstrate that the Council is challenging itself to work in new ways and to create new sources of income.</p>

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Medium term financial plan The Council’s financial forecast shows that doing nothing will result in a recurring deficit each year beyond 2016/17. Good progress is being made with the 'Wyre Forest Forward' programme and the Council is looking to make further savings across services. By 2019/20 the Council has a target of delivering almost £1million efficiency savings.</p> <p>There is an increasing emphasis on growing income, driven by the continuing reduction in central government funding. The Council is naturally focussing on growing business rates and council tax but also other areas, including letting out its property assets. Housing development and economic regeneration are key priority areas to both meet the council strategic ambitions and as drivers of increasing revenue.</p> <p>This is highlighted as a significant risk due to uncertainties around future income streams and delivery of the savings plans. Unrealistic assumptions around income ad savings would create a significant risk around the councils financial sustainability.</p>	<p>We will review the assumptions in the medium-term financial plan. In particular:</p> <ul style="list-style-type: none"> • The level of savings planned within the MTFP and the reporting of delivery • The assumptions made around income, and income growth • The progress made with implementing key savings and income generation plans. 	<p>The Council has made cautious assumptions around income to be achieved in the Medium Term Financial Plan. There is an expectation that income generation initiatives will close the budget gap, reducing the need to rely on reserves. Developing income is a key focus of the planning for 2018/19 and beyond as they contribute towards closing the budget gap. We would expect that increased assumptions around income generation initiatives will become increasingly important in the budget for 2018/19.</p> <p>The external peer review considered the approach to medium term financial planning. The review team acknowledged that the Council is challenging itself and, whilst it made recommendations for improvement, was overall very positive about the progress made and the Council approach to financial planning.</p> <p>The 2016/17 out-turn was £0.96 million lower than budget for a number of reasons explained in the Narrative Foreword to the accounts. This shows that the savings against original budget were £0.96 million and against the revised budget £0.66 million. Large underspends were also made in the prior year against the revised quarter three budget.</p> <p>The peer review highlighted a need to further improve in year forecasting and we echo that comment. We have seen that the Council uses a straight line approach to forecasting income and does not include sensitivity analysis or scenario planning in forecasting the impact on income of changes in demand and changes in fees. With demand led income featuring more heavily in the budget it becomes increasingly important that the Council has reliable in year forecasting and is able to assess the impact of varying fees when agreeing the budget.</p>

Section 4: Fees, non-audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence**
- 05. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Council audit	48,936	48,936
Grant certification*	9,165	tbc
Total audit fees (excluding VAT)	58,101	tbc

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Our work on this is not yet complete.

Fees in respect of other grant work, such as reasonable assurance reports, would be shown under 'Fees for other services', however no work of this type has been undertaken.

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all non-audit services which were identified.

Fees for other services

Service	Fees £
Non-audit services:	
Place analytics annual subscription	5,000

Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the Council’s auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
Subscription to Place Analytics	Wyre Forest District Council	£5,000	No	The work is completed by staff not involved in the statutory audit. The subscription provides access to data for use by management. This data is not used in connection with the preparation of the financial statements.
	TOTAL	£5,000		

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

Appendices

A. Action Plan

B. Audit Opinion

A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	<p><u>Accounts – Narrative Foreword</u></p> <p>The narrative foreword is compliant with the Code requirements but there is scope to be more concise. The Council should consider whether the information could be more focussed and perhaps some of the detail presented in graphs or diagrams to make it easier for the user of the accounts to digest.</p>	Low	This recommendation is noted and will be considered when the 2017/18 narrative foreword is drafted.	2017/18 Statement of Accounts: Corporate Director: Resources.
2	<p><u>Accounts – Critical Judgements and Contingent Liabilities</u></p> <p>The Corporate Director: Resources should consider the extent of disclosure of judgements in the financial statements, particularly in relation to critical accounting judgements and contingent liabilities when drafting the financial statements.</p>	Medium	This recommendation is noted and a clearer distinction will be made between risks and contingent liabilities when drafting the 2017/18 financial statements. Critical accounting judgment will also be carefully considered given the subjective nature of these disclosures.	As above
3	<p><u>Value for Money Conclusion – Income Forecasting</u></p> <p>With increased reliance on income generation activities as a way of filling the budget gap, the Council needs to develop its approach to budget forecasting, in particular around forecasting income where services are demand led.</p>	Medium	This recommendation will be factored into the continuous development of the monthly and quarterly budget monitoring reports to improve the quality of management information and mitigate risk around demand led income where possible.	By December 2017: Corporate Director:: Resources and Financial Services Manager

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

B: Audit opinion

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

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

We have audited the financial statements of Wyre Forest District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director: Resources and auditor

As explained more fully in the Statement of Responsibilities, the Corporate Director: Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

We have nothing to report in respect of the above matters.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or

we have exercised any other special powers of the auditor under the Act.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**Respective responsibilities of the Authority and auditor**

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

[Signature]

Richard Percival
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

[Date]



© 2017 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

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

OPEN ITEM	
CABINET MEMBER:	Nathan Desmond
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext. 2100 tracey.southall@wyreforestdc.gov.uk Lisa Hutchinson Ext 2120 lisa.hutchinsonl@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Draft Letter of Representation 2016/17 Appendix 2 - Statement of Accounts Overview 2016/17

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the changes that have been required to the Statement of Accounts for 2016/17 following the audit undertaken by Grant Thornton UK LLP (Grant Thornton). The results of the audit presented in this report are subject to final confirmation by Grant Thornton and formal issue of their Audit Findings Report (marked to follow on the meeting agenda) due to the accelerated timetable for closure this year.
- 1.2 The Council is also required to provide an updated version of the Letter of Representation to the auditors, before they will issue the audit opinion for 2016/17; the wording of this is attached for approval.

2. RECOMMENDATION

The Audit Committee is asked to DECIDE that subject to final confirmation of the Audit Findings from Grant Thornton:-

- 2.1 **The Revised Statement of Accounts for 2016/17 be approved.**
- 2.2 **The Letter of Representation for 2016/17 attached at Appendix 1 be approved.**

3. BACKGROUND

- 3.1 The draft Statement of Accounts was certified as a true and fair position by the Chief Financial Officer, and endorsed by Audit Committee at the meeting held on May 31st 2017.
- 3.2 During the course of the audit there were a number of issues raised by the Auditors and the Accounts were amended accordingly. Most of these were changes to/or additional disclosures that improve the presentation of the clarity of the financial

Agenda Item No. 6

statements for the users of the accounts, the main being around the Balance Sheet presentation of one investment as a Cash and Cash Equivalent.

- 3.3 Grant Thornton has almost concluded its audit of the accounts and has indicated it intends to provide an unqualified opinion, although subject to confirmation at the time of issue of this report.
- 3.4 Incorporating the agreed changes, the Statement of Accounts will be published following the earlier approval this year by the Audit Committee and this will also be made available on the Council's web-site. This accelerated timetable is in preparation for 2017/18 when the statutory date for publication is brought forward from the current 30th September to the 31st July in each year.
- 3.5 The Letter of Representation is attached at Appendix 1. This letter is in line with Grant Thornton's requirements as detailed within their Audit Findings Report. This letter is to be signed by the S.151 Officer (Corporate Director: Resources), and the Chair of the Audit Committee.
- 3.6 A revised Statement of Accounts overview is attached at Appendix 2. A full copy of the Statement has been emailed to all Audit Committee members; paper copies will be made available at the meeting on request.

4. KEY ISSUES

- 4.1 The audit of the Statement of Accounts for 2016/17 has almost been concluded and Grant Thornton has indicated it will issue an unqualified Opinion. This is subject to the finalisation of the audit and issue of the Audit Findings Report.

5. FINANCIAL IMPLICATIONS

- 5.1 This is a financial report identifying changes to the Statement of Accounts 2016/17 following the audit, and presentation of the Letter of Representation.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 It is currently a requirement of the Accounts and Audit Regulations 2015 that the Statement of Accounts is published by the 30th September following the end of the financial year. This is accelerated to the 31st July from next year.

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 September 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.

10. CONSULTEES

10.1 CLT/Cabinet Member for Resources

10.2 Grant Thornton

11. BACKGROUND PAPERS

11.1 Accounts and Audit Regulations 2015
Financial Strategy 2017/20

11.2 Cabinet 23rd May 2017 – Report on Provisional Final Accounts 2016/17

11.3 Audit Committee 31st May 2017 - Report on Provisional Final Accounts 2016/17



Agenda Item No. 6 Appendix 1

Richard Percival
Associate Director
Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Tracey Southall
Corporate Director: Resources
tel: 01562 732125
fax: 01562 732104
email: tracey.southall@wyreforestdc.gov.uk
my ref: TS/LH/JHL

31st July 2017

Dear Sirs

Wyre Forest District Council Financial Statements for the year ended 31st March 2017

This representation letter is provided in connection with the audit of the financial statements of **Wyre Forest District Council** for the year ended 31st March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Resources Directorate
Wyre Forest House
Finepoint Way
Kidderminster
DY11 7WF

- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
- a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

xxv The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 31st July 2017.

Signed on behalf of Wyre Forest District Council:

Name: Tracey Southall
Position: Corporate Director: Resources
Date: 31st July 2017

Name: Councillor Anne Hingley
Position: Chair of the Audit Committee
Date: 31st July 2017

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2016-17 – OVERVIEW

1. INTRODUCTION

Each year the Council has to produce a set of accounts just like any other organisation. The formal document is the Statement of Accounts (Statement) which sets out the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The full Audited Statement will be published on the Council's web-site after 31st July 2017. The purpose of this overview document is to provide a summary of key aspects of the more detailed Statement to aid understanding and assist with the scrutiny process.

2. APPROVAL PROCESS

The statutory deadline for approval of the Pre-Audit 2016-17 Statement of Accounts was 30th June 2017 in accordance with the Accounts and Audit Regulations. However, with effect from 2017-18 onwards the statutory deadline for approval of the Accounts will be 31st May. The Council therefore carried out a 'dry run' for 2016-17.

This Council's timetable for approval of the 2016-17 Accounts is as follows:

- : Cabinet – 23rd May 2017 (Major Variations only); and then
- : Chief Financial Officer approval/Audit Committee endorsement – 31st May 2017
- : Audit Committee – 31st July 2017 (audited version)

The Accounts are audited by Grant Thornton who are the Council's external auditors. Regulations require that the Statement of Accounts 2016-17 is published by 30th September 2017, however once the Accounts are formally signed off on 31st July 2017 the Statement will then be published.

3. BASIS OF ACCOUNTS

The Corporate Director: Resources, Tracey Southall, is responsible for the preparation of the Statement in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17. This includes full compliance with the International Financial Reporting Standards (IFRS).

The Accounts present a true and fair view of the financial position of Wyre Forest District Council for the year ended 31st March 2017. Up to date and proper accounting records have been maintained in accordance with the accounting policies outlined in the detailed Statement. In addition, the Chief Executive and Leader of the Council are required to confirm the Council's Governance arrangements can be relied upon to produce an accurate Statement of Accounts; again this is contained within the Annual Governance Statement.

4. **KEY COMPONENTS**

The Council's accounts for the financial year ended 31st March 2017 mainly comprise:-

(a) **The Comprehensive Income and Expenditure Statement**

This account brings together income and expenditure relating to all of the Council's functions. It excludes Capital, accounted for separately. Many of the activity descriptions are similar to those in the budget book, but are grouped into Standard Expenditure Analysis Areas for inter-authority comparisons. Income from the Council's precept on the Collection Fund is included in this account. It represents the gains and losses that contribute to the changes in financial resources and is the accounting position rather than the bottom-line to taxpayers.

(b) **The Movement in Reserves Statement**

This account shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves.

(c) **The Collection Fund Income and Expenditure Account**

This reflects the statutory requirement to maintain a separate Collection Fund. This account records income received from the Council Tax and Business Rates. It also shows the distribution of that income to precepting authorities, such as Worcestershire County Council, The Office of the Police and Crime Commissioner for West Mercia, and The Hereford and Worcester Fire Authority.

The Business Rates Retention Scheme is in its fourth year and the main aim is to give Councils a greater incentive to grow businesses in their areas. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. The scheme allows the Council to retain a proportion of the total Business Rates received. The share retained by this Council is 40% with the remainder paid to Central Government (50%), Worcestershire County Council (9%) and Hereford and Worcester Fire Authority (1%).

(d) **The Balance Sheet**

This relates to the Council's year end financial position, covering both Capital and Revenue. It shows the balances and reserves at the Council's disposal, summarised information on the fixed assets held, the current assets employed in its operations and its long term indebtedness.

(e) **The Cash Flow Statement**

This statement summarises major movements of the Council Funds over the period of the financial year.

5. FINANCE STRATEGY

The Council continues to implement the three year Finance Strategy, endeavouring to balance service priorities against resources available. The financial landscape continues to be very challenging. The continuing Wyre Forest Forward Transformation programme in 2016-17, and work with the cross party Cabinet Financial Strategy Advisory Panel enabled the Council to set a forward-looking budget for 2016-17, including a Council Tax freeze, and continued investment in the key priority of economic and regeneration initiatives, aided by membership of both the Worcestershire and Greater Birmingham and Solihull Local Enterprise Partnerships.

6. SUMMARY OF THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT AND MOVEMENT IN RESERVES STATEMENT

2015-16 Net Expenditure/ (Income) £000's	Service Area	2016-17 Net Expenditure/ (Income) £000's
3,299	Chief Executive	3,399
4,795	Community Well-Being and Environment	5,989
3,289	Economic Prosperity and Place	2,728
11,383	Net Cost of Services	12,116
485	Parish Precepts	916
(206)	Other Net Operating (Income)/Expenditure	3,069
309	Net Investment (Income)/Borrowing Costs	405
1,395	Other Accounting Adjustments*	(2,975)
13,366	Amount to be met by Government Grant/Council Tax	13,531
	Funded by:	
(2,778)	Business Rates Retention	(3,042)
(2,019)	Revenue Support Grant	(1,222)
(7,056)	Council Tax	(7,645)
(1,693)	New Homes Bonus	(2,357)
-	Transferred Asset	(440)
(180)	Movement in Revenue Fund Balance	(1,175)
<p>* This takes into account entries required to reflect issues including depreciation, changes in market value of assets and the position of this Council's Pension assets and liabilities administered in the Worcestershire County Council Pension Fund</p>		

7. OVERALL BUDGET VARIATIONS

Major revenue variations between the revised budget and actual were shown in Appendix 1 to the report to Cabinet on 23rd May 2017.

A further analysis of actual compared to the original budget used for 2016-17 is contained in the full Statement.

8. WHAT DO WE OWN (NUMBER OF ASSETS)?

Civic & Administrative Buildings	2
Car Parks	26
Trading Estates & Enterprise Centres	5
Public Conveniences	10
Leisure Centres (leasehold interest in Bewdley Leisure Centre)	2
Museums	1
Sports, Social Clubs, Fields & Parks	22
Nature Reserves	4
Other Land & Buildings	32
Vehicles	74
Heritage Assets	Various
Play Equipment / Systems Software / Open Spaces Equipment	Various
Note: The Council also owns a number of assets below the de minimis level of £10,000 which are not shown in these figures	

9. SIMPLIFIED BALANCE SHEET

31-03-16 £000's	What the Council owns and is owed	31-03-17 £000's
	What we own:	
51,669	Buildings, Land, Vehicles and Equipment	50,083
50	Inventories	96
16,284	Cash Invested	17,828
5,089	Money owed to the Council	4,547
	What we owe:	
(23,300)	Money owed by the Council	(25,963)
(58,821)	Pension Fund Liability	(57,774)
(9,029)	Total Value of what we own/(owe)	(11,183)
	Financing:	
	Usable Reserves	
2,359	Capital Expenditure Reserve	2,572
7,181	Earmarked Reserves	5,714
3,739	General Reserves	4,914
371	Capital Grants Unapplied	579
	Unusable Reserves	
36,318	Capital Financing Reserves	32,972
(58,821)	Pensions Reserve	(57,774)
(176)	Short-term Accumulated Absences Account	(160)
(9,029)	Total Reserves	(11,183)

10. **WHAT ARE OUR RESERVES?**

31-03-16 £000's	General Fund Reserves:	31-03-17 £000's
3,559	At beginning of the year	3,739
180	Movement in Revenue Fund Balance	1,175
3,739	Balance at the end of the year	4,914
The Council has a duty in law to keep an appropriate (prudent) level of General Reserves. It has been our policy to keep a minimum working balance of £1m.		
31-03-16 £000's	Capital Expenditure Reserve and other Reserves and Capital Contributions set aside for the future:	31-03-17 £000's
	The savings and money set aside for the future are :-	
2,359	Capital Expenditure Reserve	2,572
5,849	Earmarked Reserves	5,714
1,332	Collection Fund Reserve	-
371	Capital Contributions Unapplied (Grants)	579
9,911	Total Capital and Revenue Reserves	8,865

11. **HOW WELL HAVE WE PERFORMED?**

Finances:

Borrowing Money – the Council took out a further loan during 2016/17 (net of in-year maturities that were replaced) taking the total borrowing up to £17m.

The rates are as follows:

- 12/13 £1m @ 2.62% for 9 years
- 13/14 £1m @ 1.52% for 5 years
- 14/15 £1m @ 3.99% for 19 years
- 14/15 £1m @ 3.54% for 42 years
- 14/15 £1m @ 3.44% for 25 years
- 14/15 £1m @ 2.99% for 24 years
- 14/15 £1m @ 2.87% for 26 years
- 14/15 £1m @ 2.80% for 22 years
- 15/16 £1m @ 2.96% for 20 years
- 15/16 £1m @ 3.35% for 17 years
- 15/16 £1m @ 3.40% for 16 years
- 15/16 £1m @ 3.13% for 15 years
- 15/16 £1m @ 2.96% for 13 years
- 15/16 £1m @ 2.99% for 48 years
- 16/17 £1m @ 2.21% for 10 years
- 16/17 £1m @ 2.42% for 45 years
- 16/17 £1m @ 0.80% for 2 years

Investing Money - average interest rate 0.54% (compared to a benchmark 7 day LIBID average rate of 0.20%)

Payment of what we owe:

Prompt payment – we paid 92.76% of all invoices within 30 days

Collection of what is owed to us:

Council Tax - we collected 96.70%

Business Rates – we collected 96.17%

Performance against national and local measures:

Over the last 12 months the Council has continued to focus on the use of measures as part of its Wyre Forest Forward Programme to underpin the delivery of the systems thinking methodology rather than relying on traditional Performance Indicators (PI's) or Targets. The dash-board of measures which support our purposes are “customer focussed” to ensure improvements or changes respond to the customer's experience.

The measures continue to evolve over time. However it is important that they are not treated like PIs or targets which often imply that once they are met then no further work is needed.

Reports are considered by Corporate Leadership Team (CLT) on a monthly basis where they monitor the leading measures whilst quarterly reports are considered by the Overview and Scrutiny Committee where measures are reported. We continue to publish our ‘Year in Pictures’ Performance Summary to ensure we effectively communicate to the community a summary of our key service delivery performance from the previous financial year.

12. SUMMARY

This Overview gives a summary of the Statement of Accounts 2016-17, which is a snapshot of this Council's finances as at 31st March 2017, showing:-

- How we raised income during the year
- How we spent money during the year
- How we performed against our budget
- How we performed in looking after the money
- How much money we have at 31st March 2017 (reserves)
- How the money is invested at 31st March 2017 (buildings, equipment and cash)

13. FINANCIAL TERMS EXPLAINED

We have tried to avoid using too many financial terms in this Overview, but here are a few of them explained for you:-

Assets: Buildings, land, vehicles and money in the bank.

Borrowing: Money we have borrowed to pay for fixed assets and are repaying over a number of years.

Capital Expenditure: Spending on new assets and the refurbishment of old ones like buildings and vehicles.

Capital Expenditure Reserve: Allocated usable capital receipts.

Capital Financing Reserve: Capital accounting reserve “backed” or balanced within balance sheet by fixed assets - not a funding resource available to spend.

Creditors: Those to whom we owe money.

Debtors: People or organisations who owe us money.

Depreciation: Some assets lose their value as they get older; this is called depreciation.

Earmarked Reserves: Savings or money set aside for the future for a specific purpose.

Fixed Assets: Things that will last more than one year.

International Financial Reporting Standards (IFRS): an international framework to ensure common approach to the production of Statement of Accounts across the world.

Inventories: Things we have bought but have not yet used.

Reserves: Savings or money set aside for the future.

Revenue Expenditure: Spending (and income) on day to day running costs, for example, employees, day to day running expenses including items like premises costs and supplies and services.

14. **CORPORATE DIRECTOR: RESOURCES' ENDORSEMENT**

The purpose of this overview is to help with the overall understanding of the Council's finances and accounts. This is an on-going process; if you have any comments in relation to how we can improve this understanding please let me know.

The most significant issue facing the Council remains its financial position. Our net revenue budget will have reduced from £16.4m in 2009/10 to £10.74m in 2019/20 based upon current plans. This represents a fall of around 35% in absolute terms, and more in real terms. The Council continued to protect key front-line services in 2016/17 despite significant reductions in government grant. It is streamlining services as part of the Wyre Forest Forward Programme. The approved budget proposals go a very considerable way towards closing the gap between what we are spending and our income. Alongside this work, the Council continues to oversee its most significant capital investment programme in many years, including major injections of finance in its key priority of securing the economic prosperity of the district.

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. 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.

We know that Government Funding will fall further in the future and it is clear that the future financial position for the Council will continue to be challenging, particularly in the light of the fiscal uncertainty given the commencement of the 'Brexit' process, with austerity measures set to continue to balance the national budget. However it is too early to judge the impact of Brexit on Local Government Finances; at the moment the only tangible impact has been modest financial market volatility but this has not had a material impact to date. The reduced level of funding currently programmed for the Council in the future is being mitigated by a raft of transformational reviews being developed and implemented as part of the Wyre Forest Forward programme.

If you have any questions or would like further explanation of our financial position, please contact either myself, or a member of the Accountancy team.

A full copy of the Statement of Accounts will be published on the Council's website after 31st July 2017.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****31st July 2017****INTERNAL AUDIT MONITORING REPORT**
QUARTER ENDED 30TH JUNE 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 30 th June 2017

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30th June 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 30th June 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 2017~18 in March 2017. 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 5 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

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.
- 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 risk, internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 8.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.
- 8.3 The Internal Audit service is one element of the Council's assurance/internal control framework.
- 8.4 A relevant member of the Internal Audit Team will continue to be involved in future Wyre Forest Forward Systems Thinking reviews to oversee and advise on proposed system changes to ensure Key Controls are not compromised as part of the Consultancy and Advisory role detailed within the Internal Audit Plan.

9. CONCLUSION

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 30th June 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 20th March 2017 ~ Audit Committee ~ Internal Audit Annual Plan 2017~18
28th November 2016 ~ Audit Committee ~ Internal Audit Charter {Updated}
Accounts and Audit Regulations 2015 {SI 234}



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
30th June 2017**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 30th June 2017

INDEX	PAGE
SECTION 1	
Follow up Reviews undertaken in the Quarter	67
SECTION 2	
Final Audit Reports issued in the Quarter	68
SECTION 3	
Draft Audit Reports issued in the Quarter	72
SECTION 4	
Work In Progress (Including Action Plans Issued) & Draft reports following the completion of the 16~17 Internal Audit Annual Plan	73
SECTION 5	
Performance against Annual Plan for the Financial Year 2017/18	74
Including Consultancy & Advice for the Quarter & Comparison of Consultancy & Advice for Quarter 30th June 2016 & 30th June 2015	76
Supporting Information for Other Internal Audit work including the Wyre Forest Forward Corporate Interventions .	77
<i>Cheryl Ellerton</i> AUDIT MANAGER	
<i>Tracey Southall</i> SECTION 151 OFFICER	

7th July 2017

SECTION 1

Quarter Report to the 30th June 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. 7
Appendix 1
SECTION 2

SECTION 1		
FINAL AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30th June 2017		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
<u>Key Systems (Annual Assurance Reviews)</u>		
2016~17 Members Allowances ~ Extract from Payroll Compliance	F	-
2016~17 Payroll ~ Compliance	S	69
2016~17 Payroll ~ Reconciliations	S	70
<u>Subsidiary System {Annual Assurance Reviews}</u>		
2016~17 Income To Bank {Depot ~ MOT's}	S	71
<u>ICT Cyclical Reviews</u>		
2017~18 ICT Asset Disposals	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.

**Agenda Item No. 7
Appendix 1**

AUDIT REPORT TITLE: Payroll Compliance Review 2016-17 BUDGET: £5,508,591 Net Salaries 2016~17 REF: VARIOUS	BRIEFING NOTE: 30 th June 2016/ ACTION PLANS: 09.08.16 DRAFT REPORT DATED: N/A FINAL REPORT DATE ISSUED: 19 th May 2017	SERVICE: Chief Executive Accountancy (Payroll) 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 2016-17 annual audit plan. Wyre Forest District Council's (WFDC) payroll services are provided by external suppliers, Redditch Borough Council (RBC). The review sought to ensure that the WFDC payroll, processed by Redditch BC, was correct and accurate with payments to bona fide employees. The Service Level Agreement (currently under review) between Wyre Forest District Council and Redditch BC provides for the audit of the service to be undertaken by the Internal Audit Team of Wyre Forest District Council (21.3) and that the outcome of the audit should be reported to the Director of Resources (RBC) for information. This review concentrated on ensuring information held on the CHRIS21 payroll system was correct, salaries/allowances were accurately calculated where changes had occurred with regard to employees and that expenses processed through the HR21 system for travel/subsistence expenses were correct. The process for employees to enter their expenses claims through HR21 is now work flowed for ease of payment into their salary.

Testing undertaken as part of this review included a detailed review to address issues that had arisen from the April, May and June pay runs for which additional resources including members of the Internal Audit Team, Finance Team and HR Teams had been funded by Redditch BC. The outcomes with agreed actions to correct the errors were included within a detailed briefing note for the Section 151 Officers of both WFDC and Redditch BC as at 30th June 2016. Of the 14 issues identified across the quarter one period, these had been addressed with the exception of one request for an overpayment deduction and a verification of a payment for statutory sick pay for an employee on long term sick leave.. Both had been actioned by the end of the financial year. In view of the matters arising from the first phase of testing, a detailed review of the salary exception reports was undertaken by Internal Audit prior to the July pay run to validate the entries and provide assurance of the effectiveness of the independent review by the Financial Services Manager Redditch BC.

During the 2016~17 financial year, Internal audit have been working closely with both payroll sections (WFDC and RBC) to identify and rectify discrepancies on salaries every month as they arose, whether from system or officer error; to reduce the number of payroll errors. The outcome of this is evidenced in that no additional errors were identified from the final phase of testing. This additional detailed testing was undertaken during the final two quarters of 2016~17 to cover new starters, variations to contracts {change in hours, roles, allowances and deductions} and leavers. The testing encompassed the parallel runs for the months of October and November to support the system upgrade which went live in December 2016.

Conclusion:

The review concentrated on the procedures for accurate salary payments to employees, ensuring all payments, allowances and deductions were correct and net salary amounts were accurate. Whilst the partnership working between WFDC and Redditch BC which has been in place since 2011 has proved successful, it is acknowledged that 2016~17 has been a challenging year with key personnel changes namely the role of Payroll Manager, within the payroll team at Redditch BC, coupled with system upgrades. The overall conclusion therefore is that **SOME** assurance could be given on the controls in place for the administration of payroll of Wyre Forest District Council.

Agenda Item No. 7
Appendix 1

AUDIT REPORT TITLE: Payroll Reconciliation Review 2016-17 BUDGET: £,5,508, 591 Net Salaries 2016~17 REF: VARIOUS	PROGRESS MEETINGS: 14.07.16 / 28.07.16 / 12.10.16 / 07.12.16 / 02.02.17 / 27.02.17 PROGRESS REPORT: 24 th October 2016 {Supplementary Runs} DRAFT REPORT DATE ISSUED: 3 rd May 2016 {Q4 to 31.03.17} FINAL REPORT DATE ISSUED: 16 th May 17	SERVICE: Chief Executive – Accountancy {Payroll} to 31.03.17 RESPONSE RECEIVED DATE: 12.05.17
--	--	---

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 2016-17 annual audit plan. Wyre Forest District Council's (WFDC) payroll services are provided by external suppliers, Redditch Borough Council (RBC) The review sought to ensure that the WFDC payroll, processed by Redditch BC, was correct and accurate. The Service Level Agreement (currently under review) between Wyre Forest District Council and Redditch BC provides for the audit of the service to be undertaken by the Internal Audit Team of Wyre Forest District Council (21.3) and that the outcome of the audit should be reported to the Director of Resources (RBC) for information. The detailed compliance testing will be reported under separate cover with actions for both Redditch BC and WFDC respective payroll teams.

During 2016 the Accountant with responsibility for the payroll budget, was appointed the responsible team member within Accountancy to ensure accurate and timely reconciliations are completed between the CHRIS21 payroll application (PRD reports) and the Agresso Financial Management System (HADAGG report). Throughout April to November 2016 the payroll was run through CHRIS21 Version 7 with the system going on to the Version 8 platform from December 2016. To support the parallel runs Internal Audit has worked closely with the WFDC Accountant and Redditch Borough Council's payroll team particularly where adjustments were required due to errors during the processing of the monthly payrolls. Following errors/omissions occurring in the June 2016 pay run several supplementary runs were carried out, faster payments were made to employees to ensure receipt of salary on the specific payday. Internal audit undertook 'spot checks' on a sample of these additional runs to ensure accuracy. Anomalies were identified in respect of how these supplementary pay runs were captured within the CHRIS21 payroll system and in particular within the pay history of those affected employees. An Action Plan detailed below for completeness, was issued to the Principal Accountant in order that the issues could be addressed and remedial action taken.

Following the completion of the January 2017 payroll reconciliation, seven system discrepancies remained; four in respect of Wyre Forest District Council employees and three for town council employees whose payroll records remain incorrect on the CHRIS21 application, however, all had been paid correctly as evidenced in the financial ledger. As an additional review, the March reconciliation was sighted as evidence that the reconciliation had been completed in a timely manner and any outstanding issues clearly evidenced. There were no additional matters arising from the final reconciliation of 2016~17. The review included reconciliation of the Bank Automated Clearing System (BACS) salary payments to ensure they were accurate, processed correctly and in a timely manner, the testing also included reviewing the supplementary runs in respect of missed payments.

Conclusion:

This review covered the procedures for the WFDC Accountancy monthly reconciliation of the payroll data provided by Redditch BC to the WFDC General Ledger. Several system and operational errors occurred through the year and therefore, this review has concentrated on providing support to both Accountancy and Redditch Borough Council throughout the reconciliation process. During the review, there were several matters arising in respect of incorrect payments being made to employees which were rectified at the time of the relevant payroll. As in previous years, Redditch BC has undergone an unsettled period regarding further changes in Payroll Manager throughout 2016 However due to system anomalies there remains inaccuracies. Internal Audit will continue to work closely with the Accountancy Team and Redditch Borough Council Payroll to ensure the processes are improved and internal controls are strengthened further. On the basis of the work completed for 2016~17 it is concluded therefore, at that the time of the audit review, **SOME** assurance could be given on the internal controls in place for the reconciliation of the payroll data

Agenda Item No. 7
Appendix 1

AUDIT REPORT TITLE: Income to Bank 2016 Extract: – Income for MOT’s ~ Driver & Vehicle Standards Agency {Previously VOSA}	DRAFT REPORT DATE ISSUED: Meeting with Depot Management Team 27.04.17	SERVICE: Chief Executive – Finance (Accountancy) Community, Well Being & Environment ~ {Garage}
BUDGET: £18,000 Revised REF: COST CENTRE R229	INTERIM REPORT DATE ISSUED: 5th May 2017	RESPONSE RECEIVED DATE: 27th April 2017

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:

The Income to Bank Audit forms part of the annual reviews undertaken as part of the 2016-17 Internal Audit Plan. The review concentrated on ensuring that the Councils MOT income is collected, recorded and banked in accordance with the Council's financial procedures. The MOT data held by the Driver Vehicle Licensing Agency {Previously Vehicle and Operator Services Agency (VOSA)} application was validated against the data recorded on the Agresso Financial Management System and the Garage booking system.

MOT testing information was downloaded from the Driver & Vehicle Standards Agency system located within the Council's garage. The downloaded data covering the period 1st April to 31st October 2016 included details of the vehicle registration number, make and model, classification type, test duration and pass or fail. This information was validated against the payment information held in the Agresso Financial Management System to ensure all MOT's were accounted for and payments received as applicable. To enable the information to be matched and reconciled, the garage booking system {Topline} and the ICON cash receipting system were also interrogated. During the review, to improve the management information held in Agresso, the Financial Management System, and for easy of reconciliation, it was recommended that the vehicle registration number, the date of the MOT and where possible the customer's name is recorded on the ICON cash receipting system when entering payments as this is the data for populating fields in the Agresso Financial Management System.

The review highlighted that cash payments were not always being processed promptly and recorded on the ICON cash receipting system. One £38.00 payment had been incorrectly coded to the wrong general ledger code, another payment included in Agresso in April 2016 related to an MOT conducted in March 2016 the previous financial year. A number of Taxi MOT's had been incorrectly charged at the start of the financial year, the previous year's rates had been used. The review (December 2016) also identified that invoices were **not** always raised promptly. During the review it was identified that two taxi businesses had not been invoiced for MOT's conducted in September and October 2016. Once identified following the reconciliation completed by Internal Audit, invoices were raised, and payments received in full, without loss of income to the Council. A number of MOT's related to internal vehicles {Council Vehicles} and whilst they were listed on the VOSA database nothing had been recorded for these on the garage booking system, to ensure accurate recharges had been actioned within the financial ledger. In addition, there were instances where external MOT's recorded on the VOSA system were not booked on the garage booking system making it difficult to match and reconcile payments and provide evidence of an accurate workload. A review of re-tests was undertaken to ensure they had been charged where appropriate, all re-tests had been undertaken within the formal timescale and therefore no additional charges were incurred.

Conclusion:

The overall conclusion was that LIMITED assurance could be given in respect of the internal controls in place for the receipting and banking of income for the Councils MOT service (as part of the overall review of income to bank) due to not being independently reconciled to the external VOSA system. The review has identified areas for improvement in the procedures for the reconciliation of the VOSA system information to the income recorded in the Councils Financial Records ensuring a corporate approach covering the recording, collection, receipting, and banking of MOT income. However following the work undertaken by Internal Audit and the planned implementation of the Garage Hive application to go live in August 2017 following the success of the parallel runs scheduled for July 2017, agreement has been reached that reconciliation controls will be introduced to mitigate the identified risks, therefore, raising the overall level of assurance to **SOME** with an additional review scheduled for September/October 2017.

SECTION 3

Quarter Report to the 30th June 2017

DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30th June 2017	
TITLE	DATE OF ISSUE

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

Agenda Item No. 7
Appendix 1
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 2017~18 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

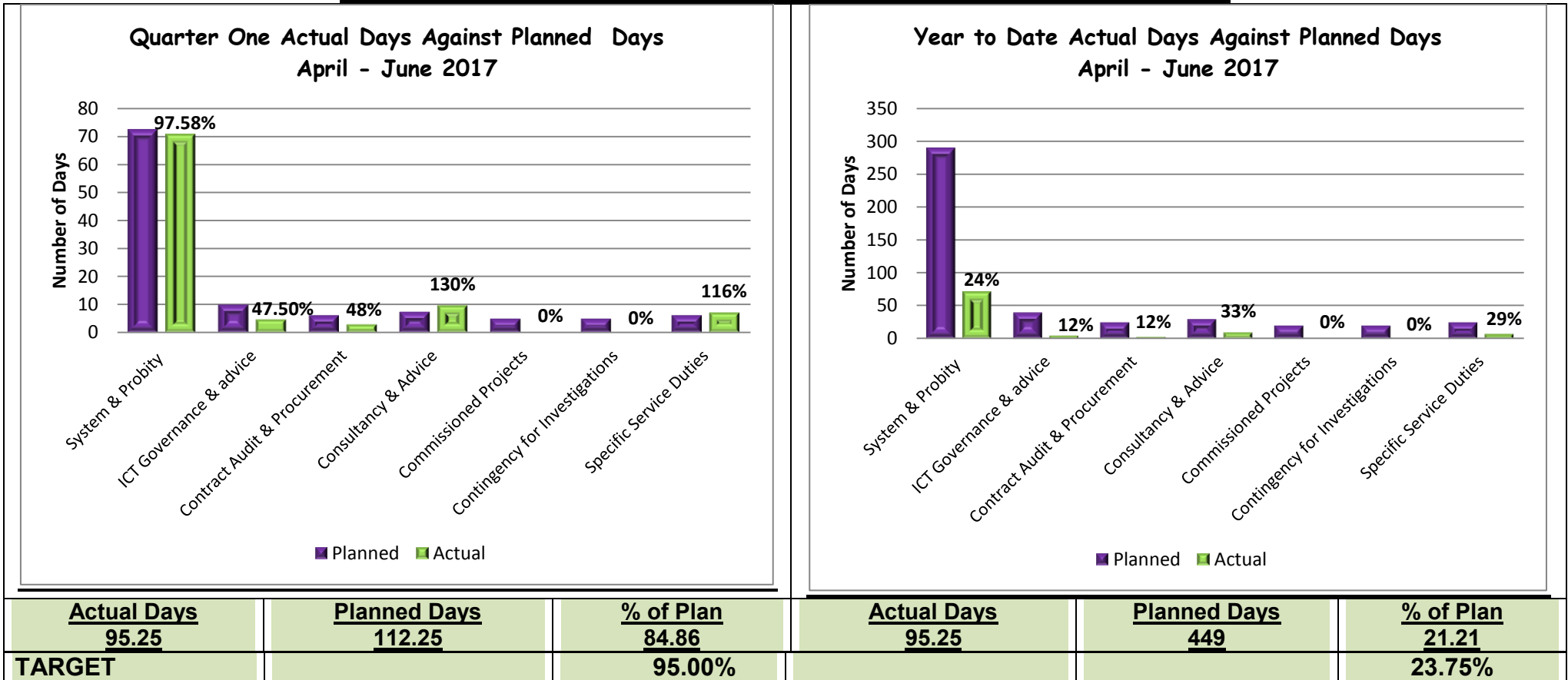
WORK IN PROGRES AS AT 30th June 2017		Status	Action Plans/Progress Report			
RISK ASSESSMENT	AUDIT REVIEW	As At 30.06.17	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	DATE OF COMPLETION OF FIELD WORK
RA74	<u>Core Financial Systems (Annual Assurance Reviews)~</u> <u>2017~18 Annual Audit Plan</u> <u>Accounting Cash To Bank</u> Corporate Income To Bank ~ HUB	Stage 2	-			
	Bank Reconciliation	Stage 3	22.05.17			
RA88	<u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u> Council Tax Reduction {Local Scheme} ~ Compliance	Stage 3	05.07.17			
	Housing Benefit {Allowances}	Stage 2	-			
	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 2	-			
RA82	<u>Council Tax</u> Ctax Reconciliations ~ {To include Gross Debit 2016/17}	Stage 3	30.05.17			
	Ctax Compliance/Recovery	Stage 2	-			
RA80	<u>Creditors (Accounts Payable)</u> Creditors {Accounts Payable } ~ Compliance	Stage 1	-			
	Creditors {Accounts Payable} ~ Reconciliation	Stage 2	-			
RA89	<u>Debtors (Accounts Receivable)</u> Debtors {Accounts Receivable} ~ Compliance	Stage 1	-			
	Debtors {Accounts Receivable} ~Reconciliations	Stage 2	-			
RA71	<u>Establishment</u> Establishment Reconciliation	Stage 1	-			
	Establishment {Staff Record Forms}	Stage 1	-			
RA84	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations ~ {To include Gross Debit 2016/17}	Stage 3	31.05.17			
	NNDR ~ Compliance	Stage 2	-			
RA85	<u>Payroll (Including Mileage & Subsistence Claims)</u> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team)^	Stage 1	-			
	^ Field Work includes Local Government Pension Scheme & Local Pay Award Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 1	-			

KEY

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

Audit Resource Statistics

Performance Against Annual Plan For The Financial Year 2017/18

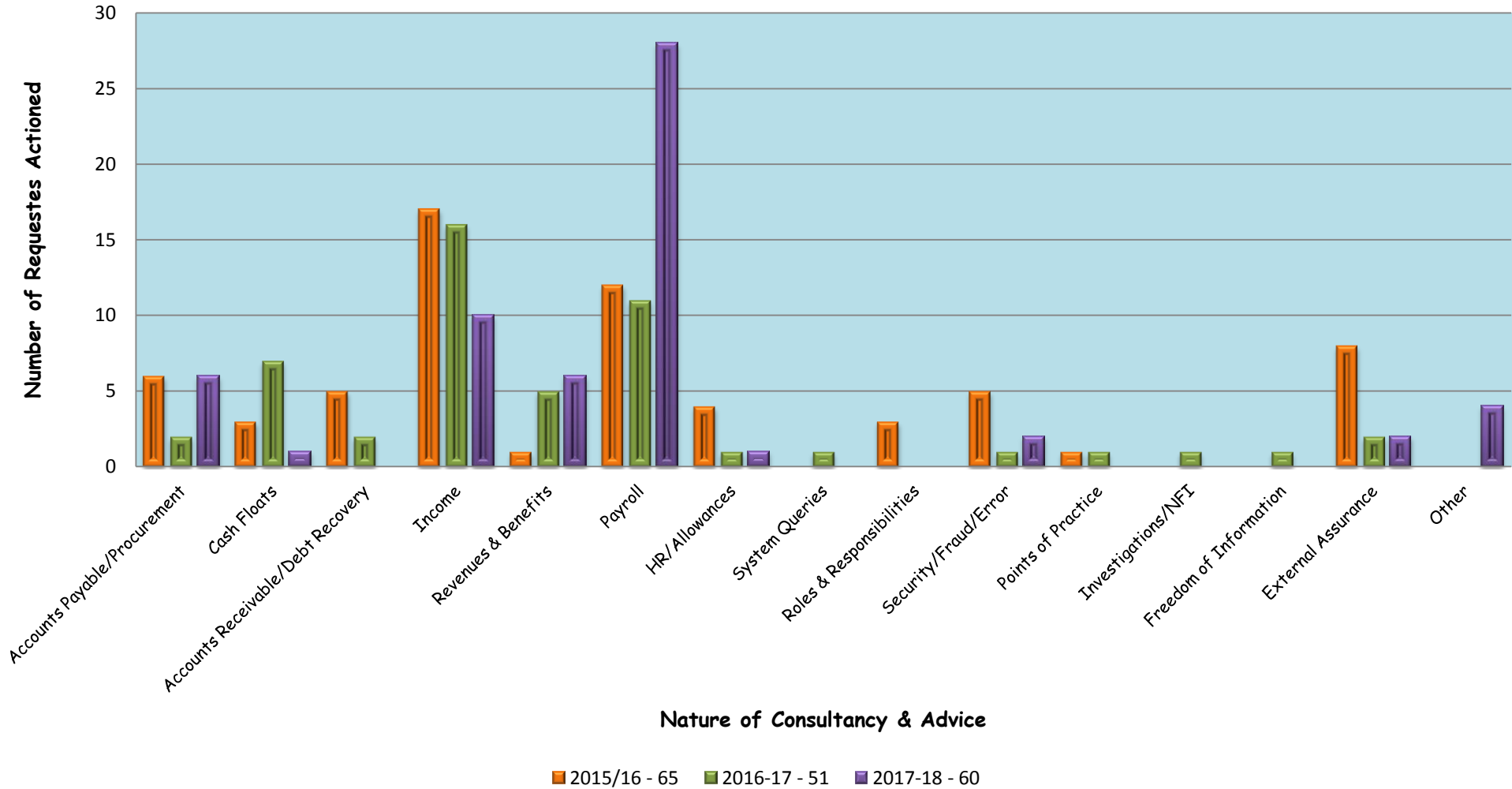


For the quarter to 30th June 2017 actual against plan is **84.86%** compared to a target of **95%** {**95.1%** against **95%** for quarter 30th June 2016}

NB: Quarter 1 for 2017~18 was an unusual month for the Internal Audit Team with the retirement of a long standing member of the Internal Audit Team earlier than anticipated, coupled with several periods of annual leave to include the Audit Manager allocating time to the Audit of the Kidderminster Town Council.

→ Within the time allocated in the above table, during this first quarter of 2017~18 the Internal Audit Team have responded to **60** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the 51 requests received and actioned for the same period for 2016/17 and the **65** requests received and actioned for the same period in 2015/16.

Comparison of Audit Consultancy & Advice
Quarter 1 {April - June} ~ 2015/16 ~ 2016/17 ~ 2017/18



Additional Assurance Work Undertaken by Internal Audit

In addition to the planned work detailed above, the Internal Audit Team have also undertaken work in other areas for which a formal report is not issued, however time has been allocated within the 2017~18 Internal Audit Annual Plan approved by the Audit Committee in March 2017 as summarised below:-

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Strategy Board Meetings.
- 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}.
- Monitoring of the final payments in respect of the Leisure Centre.
- Continuous review of 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 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 providing particular support to the Fleet Officer on the implementation of the Garage Hive application.

Corporate Issues

During the quarter, Internal Audit have also undertaken work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office to support the 2016~17 programme of work.

Internal Audit Apprenticeship

This quarter saw the retirement of a long standing member of the Internal Audit Team. The Internal Audit Apprentice has been mentored to take over some of duties in preparation for this therefore ensuring the work being completed will contribute towards the completion of the 2017~18 Internal Audit Plan providing assurance on corporate governance within the Council.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****31st JULY 2017****INTERNAL AUDIT**
PUBLIC SECTOR INTERNAL AUDIT STANDARDS

OPEN	
CABINET MEMBER	Cllr. Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension No. 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX 1	Public Sector Internal Audit Standards http://newintranet/media/3132/public-sector-internal-audit-standards2016

1. PURPOSE OF REPORT

The purpose of this report is to update Members on those areas where action is required to increase compliance with the UK Public Sector Internal Audit Standards {UKPSIAS} in particular to determine the arrangements for the external assessment to be completed by 31st March 2018. Compliance with these are a requirement of the Accounts and Audit Regulations 2015.

2. RECOMMENDATION

The Audit Committee is asked to:

- 2.1 Endorse the preferred option of a validated self-assessment to fulfil the required external assessment of the Internal Audit Service in accordance with the UK Public Sector Internal Audit Standards as detailed in 4.8.**

3. BACKGROUND

- 3.1 At the meeting of the Audit Committee on 2nd December 2013, Members endorsed the adoption of the implementation of the UK PSIAS with an update at the September 2016 on the changes to the standards that became effective from 1st April 2016.
- 3.2 The objectives of the standards are to:-
- ❖ Define the nature of internal auditing within the UK public sector;
 - ❖ Set basic principles for carrying out internal audit in the UK public sector;
 - ❖ Establish a framework for providing internal audit services, which add value leading to improved processes and operations; and
 - ❖ Establish the basis for the evaluation of internal audit performance.
- 3.3 The standards were revised to reaffirm the importance of robust, independent and objective internal audit arrangements, to include a mission statement and core principles to enable the Internal Audit Team to operate effectively and demonstrate this effectiveness to the Corporate Leadership Team and the Audit Committee.

4. KEY ISSUES

- 4.1 The UK Public Sector Internal Audit Standards set out the requirement for a Quality Assurance and Improvement Programme. As part of this, a self-assessment of best practice against the standards was undertaken and the outcomes reported to the Audit Committee in June 2014. This assessment was sound overall, the only area of full non-compliance was in respect of the required external assessment.
- 4.2 The self assessment check list is currently under a further detailed review in preparation for the external assessment and the current refresh to be presented to the Audit Committee will demonstrate the strengths of the Internal Audit Team
- 4.3 It is a requirement of the UK Public Sector Internal Audit Standards, that an external assessment is conducted once every five years by a qualified independent assessor or assessment team. Following the adoption of the UK Public Sector Internal Audit Standards from April 2013, an external assessment is required prior to 31st March 2018.
- 4.4 The aim of the external assessment is to aid on going improvement and can be in the form of a full external assessment or and independent external validation of the self-assessment.
- ➔ A full assessment will encompass an assessor or assessment team undertaking a full review against each of the standards attributes and include:-
- A review of audit documents to understand the reporting methodology to include, the Audit Charter, Audit Manual, Audit Plan and Committee Reports
 - A review of audit files to include working papers
 - On site interviews with key personnel to include not only the audit team but also the Director of Resources as S151 Officer, the Monitoring Officer, Chair of Audit Committee and a selection of auditees
 - Output report on the findings of the assessment with recommendations for areas of non compliance and an improvement plan for actioning by the Audit Manager.
 - Formal presentation of the output report to the Corporate Leadership Team and Audit Committee
- ➔ A validated self-assessment requires the Chief Audit Executive {Audit Manager} to prepare a self-assessment against the standards attributes which an assessor or assessment team independently validating the self assessment to include
- A review of audit documents to understand the reporting methodology to include, the Audit Charter, Audit Manual, Audit Plan and Committee Reports
 - A review of audit files to include working papers
 - On site interviews with Key Personnel to include not only the audit team but also the Director of Resources as S151 Officer, the Monitoring Officer, Chair of Audit Committee and a selection of auditees
 - Out put report on the findings which will be supported by the Council's fully evidenced self assessment.
 - Formal presentation of the output report to the Corporate Leadership Team and Audit Committee
- 4.5 The options available in determining the form of the external assessment are via an external organisation or a peer review process. Whilst the assessment process itself involves reviewing the Internal Audit Team as a service to the authority against the attributes that form the standards, a qualified assessor or assessment team must demonstrate competence in two areas:-

- ❖ The professional practice of internal audit; and
- ❖ The external assessment process.

- 4.6 Evidence obtained from other authorities indicate that the costs for an external assessment will vary from circa £3,000 for a validation review to £9,000-10,000 for a full detailed review using an established organisation.
- 4.7 A peer review will be at a lesser cost with initial indications that a challenge and validation of a self assessment will be circa £1,500 or a full assessment circa £2,500.
- 4.8 Since the Council's Internal Audit Team is an in-house stand alone service, the preferred option of external assessment would be on the validation of the self-assessment with an action plan to enhance the delivery of the Internal Audit service. In preparation for the external assessment, the current self-assessment using the Chartered Institute of Public Finance & Accountancy {Cipfa} will be refreshed and along with an evidence file, used to form the main element of the external review
- 4.9 Procurement of an external assessor or assessment team will need to comply with the Council's Contract Procedure Rules. The preferred option of a validation of the self-assessment, in accordance with the Councils' Contract Procedure rules procurement of a service up to and including £3,000 will require at least one quote. To demonstrate best practice a minimum of three quotations will be obtained. It is acknowledged that dependant on those organisations available to undertake an external assessment, costs may vary dependant on the Council's requirements.
- 4.10 At this stage quotations have not been sought pending the Committee's approval and agreement to the criteria for the external assessment. Either option will provide for use of qualified assessors with experience of similar size organisations, offering an independent and objective review of the Internal Audit Service.
- 4.11 In addition to the financial cost of the external assessment, consideration should also be given to the impact on Members and Officers time and the disruption to delivery of the internal audit service.
- 4.12 Quotations will be commissioned from suppliers by the end of September 2017 with a scheduled timeline for completion of the external assessment in the fourth quarter of 2017~18.

5. FINANCIAL IMPLICATIONS

- 5.1 There are financial implications arising from this report in that the external assessment will incur a cost to the delivery of the Internal Audit Service. The cost of the preferred option of the validation of the self assessment is estimated at £3,000. This expenditure is already included in the approved service budget, therefore, there are no further financial implications requiring approval.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 section 5 require that:-
"A relevant authority must undertake an adequate and 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.

6.2 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should “*make arrangements for proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*”. CIPFA has defined “*proper administration*” in that it should include “*compliance with the statutory requirements for accounting and internal audit*”.

6.3 The Contract Procedure Rules state that for contracts up to and including £3,000 where there is no current existing framework agreement or corporate contract, at least one Quote must be commissioned, and that the selection of the contractor can be on price alone.

7. RISK MANAGEMENT

7.1 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. If the Internal Audit Service does not continually improve then the value added by the service will be compromised.

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. CONCLUSION

9.1 An effective Internal Audit Team supports strong governance arrangements. To ensure continued compliance with the UK Public Sector Internal Audit Standards, the self assessment check approved by the Audit Committee in June 2014 will be reviewed and a formal detailed internal assessment prepared, supported by an evidence file to enable the formal external assessment.

10. CONSULTEES

10.1 Corporate Leadership Team
Cabinet Member for Resources

11. BACKGROUND PAPERS

United Kingdom Public Sector Internal Audit Standards ~ April 2013 {Updated April 2016}
Accounts and Audit Regulations 2015

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****31st JULY 2017****COUNTER FRAUD ARRANGEMENTS 2017~18**

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	Pro-Active Anti Fraud Action Plan 2017

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update Members on the Counter Fraud arrangements in place for 2016~17 and the progress for to date for 2017~18

2. RECOMMENDATION

The Audit Committee is asked to consider and note:-

- 2.1 **This update on the counter fraud arrangements within the Council to include actions in respect of the indicative pro-active anti fraud plan noted as detailed at Appendix A.**

3. BACKGROUND

- 3.1 This report will provide:-
- An update on the Counter Fraud Arrangements to include actions against the pro-active anti fraud plan.
 - Position statement on the National Fraud Initiative
 - Fraud & Error review undertaken by the Compliance Officers
- 3.2 Progress continues to be made on raising awareness to demonstrate the commitment of the Council to tackling fraud and protecting the public purse. The main focus of the awareness campaign is to improve understanding of the effects of fraud.
- 3.3 To support the work of the Corporate Fraud Officer, an external work shop was attended by the Corporate Leadership Team, Senior Managers and those employees with day to day financial and procurement responsibilities. The work shop held on 22nd March 2017 was part of the awareness training provided by the Council's bankers and was led by the Commercial Banking Fraud Manager for Lloyds Banking Group.
- 3.4 The session complemented the awareness campaign run by the Corporate Fraud Team during 2016~17 and outlined the journey and impact of a fraud event which could be either personal or work related and take months from inception to conclusion.

Agenda Item No. 9

- 3.5 The main outcomes from the event highlighted the need for vigilance and regular staff awareness training and testing with the knowledge that the organised fraudsters have time to research information and plan before the attack. The session with proven cases stressed that staff awareness is vital to prevent an organisation falling victim to fraud whether cyber crime holding data to ransom, or requests to change account details intending to redirect further payments. The feedback from this new training was very positive and will be repeated at regular intervals. The next session is already planned for September 2017.
- 3.6 As part of the Corporate Fraud Team campaign, there are regular information alerts in the staff e-magazine Wyred Weekly and also on the information screens in Wyre Forest House.

ALERTS	WYRED WEEKLY	NATURE OF FRAUD ALERT
1	14.09.16	Banking Malware ~ How To Protect Yourself on Line
2	21.09.16	Malware Warning Signs ~ Use Windows Update Solutions
3	28.09.16	Card Fraud & Protecting Personal Information
4	30.11.16	Password Security & reducing the risk of unauthorised access
5	14.12.16	On-Line Security Tips
6	11.01.17	Fraud Poster Campaign ~ Report if you Suspect!
7	01.02.17	Alert From the National Fraud Intelligence Bureau on Charitable Fraud
8	22.03.17	Protecting against bank card fraud
9	25.03.17	Alert From Action Fraud on Anti Virus activation scams; tax rebate scams; recovery room frauds and false parking fine penalty notices
10	10.05.17	Advice on card fraud and passwords from the Credit Industry Fraud Avoidance Service
11	24.05.17	Advice on Malware & Computer Viruses from the National Fraud Intelligence Bureau
12	07.06.17	Alert to fake BT branded phishing emails following global ransom ware attack

- 3.7 In addition, the Corporate Fraud Officer will also notify specific teams where the fraud alert is service specific for example, fraud cases reported nationally where there is potential for fraud and error within the Council.

ALERTS	DATE	NATURE OF FRAUD ALERT
1	15.12.16	Procurement ~ Bid Rigging Awareness to the Finance, Procurement , Legal Teams & Senior Managers arranging contracts
2	16.12.16	Mandate Alert via the National Anti Fraud Network shared with the Finance Team
3	24.01.17	Parking Charge Reminder Notices ~ Email to Enforcement Team
	24.01.17	Charitable Fraudulent Donations ~ Email to Housing Strategy Team
	24.01.17	Phishing & Malware Alert ~ Migrant Helpline ~ Email to
	24.01.17	Property Fraud ~ Email to Revenues & Elections Team
4	06.02.17	Ransom ware Alert from National Fraud Intelligence Bureau ~ Email to ICT Manager
	06.02.17	Fraudulent Request for Payment ~ Email to Finance Team
5	09.02.17	Potential Fraud ~ Data matched with Accounts Receivable and HB
6	17.02.17	Notification of a fraudulent request to change bank details ~ Email to Finance Team
	17.02.17	Notification of Unsolicited Invoice for goods not ordered ~ Email to Finance Team
7	13.03.17	Briefing from Metropolitan Police Awareness of Cybercrime ~ Email shared with CLT and ICT
		Notification of Current Council Tax Refund Email ~ Shared with Revenues Team
8	13.03.17	Notification of Latest Mandate Fraud ~ Email to Finance Team
	13.03.17	Notification of Freedom of Information Requests linked to NNDR ~ shared with Finance & Revenues
9	22.03.17	Teams
10	29.03.17	Notification of Illegal Debt Collectors seeking collection of corporate debt ~ shared with Finance & Legal
11	31.03.17	Teams
12	05.05.17	Fraudulent request to change bank account details ~ email to Finance Team
13	12.05.17	Notification of Organisations targeted for recent Mandate fraud ~ email to Finance Team
14	31.05.17	Notification of recent vishing fraud campaign targeting local councils ~ fraudsters claiming to be from the organisations bank ~ email to Finance & Revenues Team

- 3.8 With regard to promoting the importance of reporting benefit fraud, as well as reporting all changes of circumstances, the media team have been commissioned by the Revenues, Benefits & Customer Services Manager to undertake a social media campaign, which will commence in the near future.

4. KEY ISSUES

4.1 STRENGTHENING GOVERNANCE ARRANGEMENTS

- 4.1.1 As previously reported to the Audit Committee a fraud health check is being developed which will compare current arrangements against the Fighting Fraud & Corruption Locally {Local Government Strategy 2016~19} and the Cipfa Code on Managing the Risk of Fraud and Corruption. The health check will acknowledge that the post of Corporate Fraud Officer has only been in place since October 2015 and the role is developing as the Council continues to promote the Corporate Fraud Team. This is acknowledged within the updates for the previously agreed indicate pro-active anti fraud plan detailed in Appendix A.
- 4.1.2 In response to a paper issued by the Department for Communities and Local Government {DCLG} raising concerns about the vulnerability of public procurement to organised crime, the Corporate Leadership Team recognised that there is scope within the Corporate Fraud Team to demonstrate further its commitment to both the Fighting Fraud & Corruption Locally agenda as well as protecting and reducing the risk to local authority funds from serious and organised crime.
- 4.1.3 The Corporate Leadership Team undertook an initial assessment of the Council's exposure to the risks identified by the DCLG in respect of procurement fraud ensuring risks were managed and endorsing areas of good practice.
- 4.1.4 The review recognised the advantages of information sharing and agreed to the Corporate Fraud Officer being the nominated Single Point of Contact {SPOC} to enable information sharing with other organisations, working towards more collaborative working to include law enforcement and other local authorities.

4.2 NATIONAL FRAUD INITIATIVE

- 4.2.1 The Council continues to contribute to the National Fraud Initiative which involves national data matching using a range of council data sets including payroll, accounts payable, licences, and insurances, and this is supported by housing benefit data which is provided by the DWP {Department for Works & Pensions}.
- 4.2.2 The initiative is now administered by the Cabinet Office. Prior to release of the data matches for the Council the matches are risk assessed with a requirement to review those identified as significant. It is a resource intensive exercise, and previously resource has been aligned to reviewing those matches involving housing benefit cases to national data sets and completed by the Compliance Officers. These matches result in potential outcomes for action and recovery of public money where fraud and/or error have occurred.
- 4.2.3 Those matches arising from the submission of the payroll, creditors and insurance data are reviewed within their service teams with outcomes actioned accordingly.
- 4.2.4 As previously reported the 2016/17 cycle commenced in October 2016 and data sets were submitted in accordance with the prescribed timetable. The data sets provided for the 2016/17 exercise were:-

DATA SET DESCRIPTION
Trade Creditors {Accounts Payable}
Taxi Drivers
Personal Alcohol Licence
Payroll
Council Tax Reduction Scheme
Insurance claims {submitted directly by the Insurers direct}
Housing Benefit {submitted directly by the DWP}

- 4.2.5 The following progress can be reported in respect of the 2016/17 data matching exercise:-
- From the data sets submitted, a total of 1316 matches were released to the Council at the end of January 2017.
 - The matches are analysed based on specific data matching criteria and are collated by type of match and subject matter.
 - The NFI apply filters to matches identify and prioritise matches recommended for further investigation. This has resulted in lower match volumes and better prioritisation of matches within reports.
 - The matched data is contained on a secure web-site and access granted to nominated officers for them to review and evaluate each match. Where either fraud or error is identified, the details are recorded on the NFI application
 - Investigations are in progress in respect of the data matches with the Compliance Officers reviewing those matches relating to both Housing Benefit and the Council Tax Reduction Scheme cases.
 - The remaining matches have been reviewed by the Corporate Fraud and Internal Audit Teams.
- 4.2.6 The outcomes achieved for 2016~17 to date are summarised and measured against the indicative pro-active anti fraud plan noted by the Audit Committee at its meeting on 27th June 2016, Appendix A refers.

4.3 OUTCOMES ~ COMPLIANCE OFFICERS

Council Tax Discounts & Exemptions & Council Tax Reduction Scheme {Local}

- 4.3.1 As referenced in the attached progress review, along side the National Fraud Initiative which is mandatory, the Compliance Officers have also completed an in house review of single person discounts for people in receipt of benefits. An external Credit Reference Agency was used, the cost of £3,500 was funded by Worcestershire County Council. This exercise, has generated an additional £17,221 council tax income to date following the investigation by the Compliance Officers.
- 4.3.2 In addition, within the day to day role of the Compliance Officer, as a result of removing various exemptions, discounts and student charges, an additional £30,453 in council tax income has been generated.
- 4.3.3 An on-going review of Caravan sites is currently in progress. To date additional income of £82,119 has been raised through either removing incorrectly applied exemptions or raising new liabilities.

Agenda Item No. 9

- 4.3.4 Where investigations completed by the compliance team have resulted in referral to the Department for Works & Pensions {DWP}, £40,003 has been identified as overpaid housing benefit for recovery. With £8,790 of council tax discount incorrectly allocated and charged back to the claimants account. The overpayments into recovery are now actively being progressed.
- 4.3.5 The Compliance Officers will continue to work to protect and increase the tax base by regularly reviewing discounts and exemptions with a single person discount across all applicable household scheduled for 2018/19.

5. FINANCIAL IMPLICATIONS

- 5.1 The financial implications arising from this report are as set out in Section 4.. The resource allocation for managing the Counter Fraud activity will be monitored to ensure this area is appropriately resourced.

6. LEGAL AND POLICY IMPLICATIONS

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

7. EQUALITY IMPACT NEEDS ASSESSMENT

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

8. RISK MANAGEMENT

- 8.1 Participation in national data matching exercises such as the National Fraud Initiative and compliance with best practice, helps to manage the risk of fraud across the Council. Working with third parties, the sharing of data and contributing to national surveys allows for the identification of fraud and error. This will form the basis of the work for the Corporate Fraud Officer, whose appointment has ensured that the Council have an accredited counter fraud specialist.
- 8.2 The Compliance Officer posts within the Revenues and Benefits Team will ensure compliance across Council Tax and Business Rates to maximise income and minimise losses thus reducing the risk of error and fraud. The Compliance Officers also fulfil the requirement for a “Single Point of Contact” between the Council and the DWP.
- 8.3 In addition the Council’s Internal Audit service is one element of the Council’s assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Whilst it is not possible to eliminate or manage all risks all of the time, Internal Audit cover fraud risk as part of the review of council systems in accordance with the risk based audit plan.

9. CONCLUSION

Agenda Item No. 9

- 9.1 The contents of this briefing paper demonstrate the Council's commitment to a zero tolerance of fraud, to maintaining an environment where fraud and corruption will not be tolerated. The Council will continue to managing the risk of fraud and further updates will be presented to the Audit Committee in due course.

10. CONSULTEES

- 10.1 Corporate Leadership Team
Cabinet Member for Resources
Revenues, Benefits & Customer Services Manager

PRO-ACTIVE ANTI FRAUD PLAN

2017~18 UPDATE

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME/TIMELINE
CORPORATE FRAUD			
Fraud Awareness Review Policies and Re Launch	Review the Strategy for Theft, Fraud & Corruption to ensure remains relevant and encompass best practice to include: Fraud Response Plan Corporate Prosecution Policy Confidential Reporting Anti Money Laundering Policy Bribery Act Policy	Corporate Fraud Officer supported by Audit Manager Work commenced in 2015~16.	Future proofed documents formally approved by the Audit Committee. Launch on the Council's intranet. To Be Completed By: September 2016
Progress:	Still on going in preparation of a Fraud Risk Register ;by Corporate Fraud Officer in consultation with Service Managers		
Fraud Awareness Training	Prepare and arrange for training material for employees and members	Corporate Fraud Officer supported by Audit Manager	Ensure Training Material remains relevant ensuring current fraud risks are covered. To Be Completed By: September 2016
Progress:	Lloyds Bank Presentation to WF20 and Colleagues to cover: The Journey of a Fraud Event Malware & Social Engineering Fraud Attack Types Recommended Approach to Fraud Management The Future Fraud Landscape	External Business Fraud Team {Lloyds Bank} Corporate Fraud Officer WF20/CLT 20 + colleagues invited with finance/procurement roles within the Council	Presentation held on 20 th March as part of WF20 meeting. Presentation made available to all as part of Wyred Weekly.
CIPFA Code of Practice: Managing the Risk of Fraud & Corruption	Benchmark against the code to ensure the Council's response to counter fraud is in line with recommendations. Report outcomes to the Audit Committee.	Corporate Fraud Officer supported by Audit Manager	Affirm the Council's commitment to zero tolerance and ensure counter fraud arrangements are aligned to the code; provide assurance to the Audit Committee as part of an annual review.

PRO-ACTIVE ANTI FRAUD PLAN

2017~18 UPDATE

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME/TIMELINE
			To Be Completed By: September 2016
Progress:	Still on going in preparation of a Fraud Risk Register ;by Corporate Fraud Officer in consultation with Service Managers		
National Fraud Initiative 2016/17	Participate in the 2016/17 National Fraud Initiative {NFI} Ensure key activities are completed in line with the NFI timetable. Ensure matching results from the NFI exercise are promptly reviewed and appropriate actions taken.	Corporate Fraud Officer/Compliance Officers Audit Manager as Key Contact for WFDC	Fraud & Error identified and appropriate action taken. Identification of fraud risk areas. Provide a corporate level of assurance over anti fraud controls in place. Contribute to the national position on public sector fraud. To Be Completed in accordance with the NFI Timetable
Progress: 2016/17 Matches released :	Accounts Payable {Creditors} ~ Corporate Fraud Officer <u>Summary of NFI results</u> 701.0 : Duplicate creditors by creditor name ~ Reviewed all matches no issues identified – one creditor required two different bank accounts so has two separate creditor accounts. This was checked and verified. 702.0 : Duplicate creditors by address detail ~ Reviewed all matches no issues identified 703.0 : Duplicate creditors by bank account number ~ Reviewed all matches no issues identified – verified the bank details and creditor accounts for one match - no issues found. 708.0 : Duplicate records by invoice amount and creditor reference ~ Reviewed all recommended matches and any with two 2016 dates – two matches were checked on page 3 –Principal Accountant verifying records 709.0 : VAT overpaid ~ Reviewed all matches no issues identified 710.0 : Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference ~ Reviewed all matches no issues identified 711.0 : Duplicate records by supplier invoice number and invoice amount but different creditor reference and name <u>Both matches were verified, one duplicated payment had already been repaid, Principal Accountant followed up the second £868.08. The Company they acknowledged the overpayment.</u>		
	As at 30.06.17 from Secure Site: <u>Housing Benefit ~ £7,336.37 Errors</u> Report 02 Housing Benefit Claimants to Student Loans: 28 Matches all processed with 1 error @ £576.37 identified. Report 14 Housing Benefit Claimants to Payroll: 114 Matches of which 112 processed with 3 errors @ £3,070.06 identified		

PRO-ACTIVE ANTI FRAUD PLAN

2017~18 UPDATE

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME/TIMELINE
	<p>Report 18 Housing Benefit Claimants to Payroll: 28 Matches all processed with 1 error £3,689.94 identified Council Tax Reduction Scheme ~ £13,345.49 Errors Report 436.1 Council Tax Reduction Scheme to Pensions: 208 Matches, 206 Processed with 3 errors @ £9,093.49 identified Report 439 Council Tax Reduction Scheme to Payroll: 2 Matches, 2 Processed with 1 error @ £301.99 identified Report 440 Council Tax Reduction Scheme to Payroll: 61 Matches, 28 processed with 1 error @ £3,177.97 identified Report 440.1 Council Tax Reduction Scheme to Pensions: 63 Matches, 63 processed with 1 error @ £647.24 identified Report 459.5 Council Tax Reduction Scheme to Taxi Drivers: 7 Matches, 7 process with 1 error @ £124.80:</p>		
	<p>As at 31st May 2017 Payroll Report 65 Payroll to Payroll 1 Match, 1 processed ~ No Issues Identified Report 66 Payroll to Payroll: 15 Matches, 11 processed, 4 awaiting additional validation Report 78 Payroll to Pensions: 1 Match for Information Only ~ No Further Action Required Report 80 Payroll to Creditors: 2 Matches, 2 processed ~ No Issues Identified Report 81 Payroll to Creditors: 3 Matches, 3 processed ~ No Issues Identified</p>		
KNOWN FRAUD RISKS REMAINING SIGNIFICANT			
Procurement fraud risks to include use of corporate procurement cards; split contracts.	<p>Joint working with the Internal Audit Team ~ Contract Auditor Liaise with Assistant Accountant {Procurement} to identify possible vulnerable areas & understand controls in place to mitigate against potential procurement fraud. Consider, scope and undertake pro-active anti fraud exercises.</p>	Corporate Fraud Officer	<p>Identify any vulnerable areas within the procurement activity and address to mitigate further risk exposure</p> <p>Building on awareness and resilience to fraud in this area.</p> <p>To Be Completed as part of 16~17 Action Plan</p>
Progress:	<p>Formal agreement by the Corporate Leadership Team that the Corporate Fraud Officer be the nominated Single Point of Contact {SPOC} to enable information sharing with other organisations, working towards more collaborative working to include law enforcement and other local authorities as recognised in paper for the DCLG in February 2017.</p>		
Recruitment to include false identity;	Working with the Internal Audit Team and HR Manager to review procedures and identify controls in situ to ensure adequate vetting of employees to	Corporate Fraud Officer	Identify any vulnerable areas within the recruitment activity and address to mitigate further risk exposure

PRO-ACTIVE ANTI FRAUD PLAN

2017~18 UPDATE

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME/TIMELINE
qualifications to gain employment access to services	ensure employees have the right to work with that information given as part of any pre-employment checks is validated .		Building on awareness and resilience to fraud in this area. To Be Completed as part of 16~17 Action Plan
Progress:	Assignment Sheet Issued to managers 10.01.17 Review Completed: Outcomes to be discussed with Senior HR Advisor		
Internal Fraud ~ Any employee could, with a delegation of responsibility perpetrate fraud against the Council.	Working with the HR Manager to identify potential weaknesses allowing employees to commit fraud against the council. Consider, scope and undertaken pro active anti fraud exercises to include a review of overtime/expense claims{fraudulent claims; manipulation of the payroll system} and the time recording system {misuse of time and resources with employees undertaking person activities during working hours}.	Corporate Fraud Officer	Identify any vulnerable areas within the HR21 application for payment to employees and address to mitigate further risk exposure Building on awareness and resilience to fraud in this area. Managers to be aware of their responsibility in preventing and/or identifying employee fraud by ensuring clear controls and separation of duties. Strong anti fraud culture to deter employees from committing fraud in the first instance. To Be Completed as part of 16~17 Action Plan
Review of Gifts & Hospitality Register	Review and evaluate the extent to which the register is being utilised; whether fit for purpose and the nature of the activities/items being declared	Corporate Fraud Officer	Identification of areas where gifts and hospitality are not being recorded which may identify fraud and/or corruption where further investigation is necessary To Be Completed as part of 16~17 Action Plan
Progress:	Assignment Sheet in draft for agreement		
Council Tax Discounts & Exemptions & Council Tax Reduction Scheme	Liaison with the Revenues Service Manager to review the risks of Council Tax fraud including discounts, exemptions and the local reduction scheme. Ensure there is a strategy for dealing with council tax frauds incorporating sanctions and prosecutions. Consider outcomes from the NFI.	Compliance Officers	There is a policy in place for dealing with council tax fraud. Increase in income from a review of discounts, exemptions and the local reduction scheme. Take appropriate action where necessary. To Be Completed By: On-going reviews

PRO-ACTIVE ANTI FRAUD PLAN

2017~18 UPDATE

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME/TIMELINE
Progress:	Review of Single Person Discounts in house for people in receipt of benefits using an external Credit Reference Agency. The cost of this work was funded by Worcestershire County Council {£3,500} and has generated an additional £17,221 to date following further investigation by the Compliance Officers In addition, day to day compliance activities throughout 2016/17 have resulted in additional council tax income generated, totalling £30,453. This is as a result of removing various exemptions, discounts, student charge and loss allowance.		
EMERGING/INCREASING FRAUD RISKS			
Cyber dependent crime and cyber enabled fraud	Working with the Internal Audit Team & ICT Team as part of the computer audit reviews, review the arrangements in place for mitigating cyber attacks; division of funds, extraction of vulnerable data; false applications for services & payments. Make recommendations where cyber fraud risks are identified.	Corporate Fraud Officer/ICT Manager	Actions taken to mitigate cyber fraud in areas of identified vulnerability. Increase awareness of cyber fraud throughout the Council. To Be Completed By: On-Going reviews supported by the Internal Audit Plan
Progress:	Corporate Fraud Officer has worked closely with the ICT Manager to acknowledge these emerging issues and also to ensure that WFDC are “protected” all the more relevant following the most recent Global Cyber Attacks: Evidence: 01.02.17 Review of the Public Services Network Certification and Penetration Testing to ensure boundary firewalls and internet gateways prevent unauthorised access and that systems are configured in the most secure way. 27.04.17 Review of Payment Card Industry Rules in light of recent concerns raised with the new General Data Protection Act 17.05.17 Review of Patch Management Review to ensure that the latest supported version of an application is used for all the necessary patches supplied by the provider.		
Business Rates ~	In liaison with the Revenues Service Manager, understand exemptions and undertake a review of the inspection procedure for occupied/void properties.	Compliance Officers	Income generation opportunities; increase in tax base. Mitigation of business rates fraud in WFDC. To Be Completed By: On-going reviews
Progress:	On-going review of all caravan sites continues to take place. To date additional income of £82,119 has been raised through either removing incorrectly applied exemptions or raising new liabilities.		