

Open

# Audit Committee

## Agenda

6pm  
Wednesday, 30th May 2018  
Council Chamber  
Wyre Forest House  
Finepoint Way  
Kidderminster



## Audit Committee

### Members of Committee:

**Councillor N Harris**

**Councillor T L Onslow**

**Councillor G Webster**

**Councillor K Henderson**

**Councillor A Totty**

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

Wyre Forest District Council

Audit Committee

Wednesday, 30th May 2018

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

<b>Agenda item</b>	<b>Subject</b>	<b>Page Number</b>
1.	<b>Apologies for Absence</b>	
2.	<b>Appointment of Substitute Members</b>  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.	<b>Declarations of Interests by Members</b>  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.	<b>Minutes</b>  To confirm as a correct record the Minutes of the meeting held on the 19th March 2018.	5
5.	<b>Internal Audit Monitoring Report Quarter Ended 31st March 2018</b>  To receive a report from the Audit Manager informing Members of the Internal Audit Monitoring Report quarter ended 31st March 2018.	11
6.	<b>Outcome of the External Quality Assessment for the Internal Audit Service</b>  To receive and note a report from the Corporate Director: Resources and Audit Manager on the outcome of the external assessment of the internal audit service against the UK Public Sector Internal Audit Standards.	28
7.	<b>Internal Audit Annual Assurance Report 2017/18</b>  To receive a report from the Audit Manager which asks for approval of the Internal Audit Annual Assurance Report.	47

8.	<p><b>Annual Governance Statement 2017/18</b></p> <p>To receive a report from the Corporate Director: Resources which asks for the approval of the Annual Governance Statement and Annual Governance Action Plan 2017/18 for inclusion in the Statement of Accounts.</p>	56
9.	<p><b>Statement of Accounts 2017/18</b></p> <p>To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2017/18. <i>(Report and full draft Statement of Accounts to follow)</i></p>	-
10.	<p><b>External Audit Fee Letter 2018/19 and Verbal Progress update on 2017/18 Audit</b></p> <p>To receive a Grant Thornton update from the Corporate Director: Resources in relation to the planned audit fee for 2018/19 and a verbal progress update on the 2017/18 audit.</p>	70
11.	<p><b>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.</b></p>	
12.	<p><b>Exclusion of the Press and Public</b></p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

13.	<p><b>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.</b></p>	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,  
KIDDERMINSTER

19TH MARCH 2018 (6PM)

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**Present:**

Councillors: A T Hingley (Chairman), J A Hart, K Henderson, S Miah,  
J A Shaw and H S Williams.

**AUD.31 Apologies for Absence**

Apologies for absence were received from Councillor  
T L Onslow (Vice-Chairman).

**AUD.32 Appointment of Substitutes**

Councillor J A Hart was appointed as a substitute for Councillor Onslow.

**AUD.33 Declarations of Interests by Members**

No declarations of interest were made.

**AUD.34 Minutes**

**Agreed: The minutes of the meeting held on 27<sup>th</sup> November 2017 be confirmed as a correct record of the meeting and signed by the Chairman.**

**AUD.35 Audit Update**

Grant Thornton (GT) led Members through the report and advised that it was a slightly different format to previous reports but the content was broadly the same.

Councillor Shaw commented that he considered Members at Wyre Forest to be very well informed regarding risk and governance. However, he queried how a situation similar to that of Northamptonshire County Council could arise. GT advised that Councils will become financially unsustainable when the significant savings are not met. The Corporate Director: Resources advised that the next 5 years will be challenging and that CLT and the Finance team will need to continue to closely monitor risk and proportionality.

Councillor Shaw referred to the commercial approach as a means of funding the financial gap. Councillor Shaw recognised that most local authorities are now in a position where a more commercial approach is taken but expressed concern at this approach as there is a risk attached to it. Councillor Shaw did note that he was satisfied that this Council was being as diligent as it could be

regarding this approach.

Councillor Miah asked if officers were sufficiently equipped to deal with the changes that are due with regard to General Data Protection Regulations (GDPR), the Prudential Codes and the Treasury Management codes. The Corporate Director: Resources advised that the authority has a dedicated officer for GDPR and there is a structured programme of training in place. With regard to the changes to the Prudential, Treasury Management codes and Investment Guidance, the Corporate Director: Resources has taken the decision to refresh the Capital Strategy earlier than required in order to capture the changes that affect the District Council. The changes are not without risk and the role of the Section 151 Officer is to make members fully aware of those risks.

Councillor Hingley noted that the authority is in changing times and it is the role of the Audit Committee to keep abreast of any changes and be satisfied that the authority is well prepared.

**The report was noted.**

#### **AUD.36 Informing the Audit Risk Assessment**

GT led Members through the report and advised that it formed part of the Audit process. GT explained that the questions are completed by management and it is the role of the Audit Committee to confirm that the answers are consistent with what they would expect.

Councillor Miah queried who set the questions as he commented that they are quite generic and asked if they needed to probe further. GT explained that the questions are set centrally by GT and are based on requirements to meet auditing standards.

Councillor Shaw commented that the reports suggest the authority is in a very satisfactory position.

Councillor Hingley welcomed the new layout as she considered it to be particularly useful for Members.

Councillor Miah asked how the responses were collated and who has overall responsibility for them. The Corporate Director: Resources advised that the Accountancy team work on the responses collectively and they are authorised by the Section 151 Officer and the Solicitor to the Council. Councillor Miah queried whether answers could be incorrect. The Corporate Director; Resources confirmed that the answers are correct based on all the evidence and knowledge available and have been reasonably assessed. A 100 percent guarantee of accuracy cannot be made, for example in respect of there being no fraud as this could be present but not detected. However the assurances given were based on governance arrangements, systems and processes based on evidence and could therefore be considered to be reasonable.

Councillor Hingley commented that she had complete faith in the team and trusted that an appropriate report would be provided to Members if there was

any area for concern.

**Agreed: The Committee confirmed Members' understanding of the risk assessment.**

**AUD.37 Grant Thornton – the Audit Plan for Wyre Forest District Council**

GT led Members through the report and highlighted that Wyre Forest District Council did meet the earlier deadline for the closure of accounts last year. This year the earlier deadline is now statutory so will apply to all authorities .

Councillor Miah made reference to the statement in the report that “where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site”.

Councillor Miah asked GT to confirm if this was to be taken literally. GT advised that if a technical issue was the cause of the delays then they would work with the authority to resolve the issue. However, if GT were to arrive on site and the authority was not prepared and not committed to engage with the process, then GT would have to consider moving their resources to another authority who were ready for their audit to be completed.

Councillor Miah asked if we have a contingency in place for the deadline date not being met, albeit this being unlikely. The Corporate Director: Resources advised that extra resource would be allocated to the team and priorities reassessed in order to meet the deadline.

Councillor Hingley remarked that it gave her confidence that the external auditors would be prepared to remove their support as this shows their diligence.

**The report was noted.**

**AUD.38 Certification Report**

GT advised that the certification work was completed in November 2017. There were fewer issues this year than in previous years and no fee variations are proposed.

Councillor Miah asked if there had been any response from DWP. GT advised that they would be asked to confirm work undertaken and as they have not heard anything from DWP at this stage it is unlikely that they will make contact.

**The certification report was noted.**

**AUD.39 Internal Audit – Audit Plan 2018/19**

The Audit Manager led Members through the report which has been prepared with consideration to the UK Public Sector Internal Audit Standards and explained that this complements the GT plan for 2018/19 highlighting the presentational changes linking the audit plan to the Corporate Risk Register and also the Council's Corporate Plan.

**The Audit Committee agreed to:**

- 2.1 Approve the Internal Audit – Annual Audit Plan 2018/19**
- 2.2 Approve that the Section 151 Officer may amend the plan in consultation with the Audit Manager in light of developments arising during the year as described in paragraph 3.6 of the report.**

**Internal Audit Monitoring Report Quarter Ended 31<sup>st</sup> December 2017**

The Audit Manager led Members through the report and highlighted the work done to date.

Councillor Shaw commented that he was impressed at the level of detail that the Audit team investigated issues to and advised that he felt this to be very reassuring.

**The Audit Committee agreed:**

- 2.1 The Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> December 2017.**

#### **AUD.40 Annual Governance Statement**

The Corporate Director: Resources led Members through the report and explained that the report comes to the Audit Committee every year so progress can be monitored.

Councillor Hingley led Members through the Appendix page by page and welcomed questions from the Committee.

Councillor Shaw referred to page 113 of the agenda and asked for clarification regarding member involvement. The Corporate Director: Resources explained that, as decisions need to be made quickly, smaller Cabinet and Overview and Scrutiny sub committees have been set up. This enables the Sub Committees to be brought together at short notice so proposals can be scrutinised and a decision reached in a timely way. The Corporate Director: Resources advised that although the sub committees are made up of a smaller group of members the usual process is followed. All members are sent copies of the agenda and associated reports and all members are welcome to attend the Sub Committees to observe. Councillor Shaw thanked the Corporate Director: Resources and said he now had greater understanding of the process.

Councillor Williams advised that the report that was considered at a recent sub-committee was approved and he felt the process works very well in getting decisions made quickly.

**The Audit Committee agreed:**

- 2.1 To approve the progress against the Annual Governance Statement Action Plan 2016/17.**



**AUD.41 Risk Management**

The Corporate Director: Resources led Members through the report.

Councillor Hingley led Members through the Appendix page by page and welcomed questions from the Committee.

Councillor Hart asked what the outstanding 5.6% in collection rates amounted to in monetary terms. The Corporate Director: Resources advised that she would work out the figures exactly and circulate them after the meeting.

Post meeting note:

*In response to Councillor Hart's query on Item 12- Corporate Risk Register, page 121 of the agenda as to what the percentage of unpaid Council tax amounted to in monetary terms, please see response from Tracey Southall below:*

*On 1<sup>st</sup> Feb 18 Council Tax collection rates were 94.4%. This equates to £3,094,131 in unpaid Council Tax across all preceptors. WFDC share @ 12% = £371,295*

*On 1<sup>st</sup> Mar 18 Council Tax collection rates were 95.83%. This equates to £2,304,651 in unpaid Council Tax across all preceptors. WFDC share @ 12% = £276,558*

*All efforts are being made to collect as much as possible against current year debts by 31<sup>st</sup> March and, in addition to the reported in year collection rates, the team have recovered an additional £1.1m in previous year's arrears.*

Councillor Williams asked if the authority was still assured using Kaspersky following the recent media attention. The Corporate Director: Resources advised that the ICT Manager was confident that Kaspersky could still deliver what the authority required. The Corporate Director: Resources assured the committee that the media attention had not gone unnoticed and that it had prompted discussions on options with the ICT Manager.

**The Audit Committee agreed:**

- 2.1 To note the Corporate Risk Register and the associated mitigating actions as at 31<sup>st</sup> January 2018 and the 2018/21 Budget Risk Matrix.**

**AUD.42 Any other business**

Councillor Hingley advised that this would be her last Audit Committee meeting as she was retiring from service with the District Council in May. Councillor Hingley wished the Audit Committee well for the future.

On behalf of herself and other officers, the Corporate Director: Resources gave thanks for Councillor Hingley's diligence with regard to the Audit

Committee.

**The meeting ended at 7.15pm.**

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**  
**30<sup>th</sup> MAY 2018**

**INTERNAL AUDIT MONITORING REPORT**  
**QUARTER ENDED 31<sup>ST</sup> MARCH 2018**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Councillor Nathan Desmond
<b>RESPONSIBLE OFFICER</b>	Tracey Southall, Extension 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31st March 2018

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> March 2018, attached as Appendix 1.

**2. RECOMMENDATION**

**The Audit Committee is asked to CONSIDER:**

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 31st March 2018 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 6 sections which are:

Section 1	<b>Follow up reviews</b> undertaken in the quarter; incorporating recommendations in progress
Section 2	<b>Final</b> Internal Audit Reports issued
Section 3	<b>Draft</b> Internal Audit Reports issued
Section 4	<b>Work In Progress</b> to include draft reports issued following completion of 2017~18 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken
Section 6	Summary of Final Reports issued in the period 1 <sup>st</sup> April ~ 31 <sup>st</sup> December 2017

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<sup>1</sup>. 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."

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<sup>1</sup> UK Public Sector Internal Audit Standards 2016

**7. EQUALITY IMPACT NEEDS ASSESSMENT**

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

**8. RISK MANAGEMENT**

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

**9. CONCLUSION**

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 31st March 2018 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  
10.2 Cabinet Member for Resources

**11. BACKGROUND PAPERS**

- 11.1 20<sup>th</sup> March 2017 ~ Audit Committee ~ Internal Audit Annual Plan 2017~18  
11.2 28<sup>th</sup> November 2016 ~ Audit Committee ~ Internal Audit Charter {Updated}  
11.3 Accounts and Audit Regulations 2015 {SI 234}

# **INTERNAL AUDIT**

## **INTERNAL AUDIT MONITORING REPORT**

**QUARTER ENDED  
31st MARCH 2018**

**INTERNAL AUDIT**  
**QUARTERLY AUDIT REPORT**  
**QUARTER ENDED 31st MARCH 2018**

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Including Consultancy & Advice for the Quarter & Comparison of Consultancy & Advice for Quarter 31 <sup>st</sup> March 2017 & 31 <sup>st</sup> March 2016	<b>25</b>
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<b>SECTION 6</b> Summary of Final Internal Audit Reports issued in the period 1 <sup>st</sup> April to 31 <sup>st</sup> December 2017 (Key Systems)	<b>27</b>
 <b><i>Cheryl Ellerton</i></b> <b>AUDIT MANAGER</b>	
 <b><i>Tracey Southall</i></b> <b>SECTION 151 OFFICER</b>	

1<sup>st</sup> May 2018



SECTION 1

**Quarter Report to the 31st March 2018**

**Summaries of Follow up Reviews undertaken in the Quarter**

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.

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

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2018		
	ASSURANCE	PAGE
<b>CORE FINANCIAL SYSTEM REVIEWS</b>		
<b>Key Systems (Annual Assurance Reviews)</b>		
2017~18 Bank Reconciliations	F	-
2017~18 Benefits ~ Housing Allowances & Overpayments {Compliance}	S	19
2017~18 Council Tax ~ Compliance {Change of Circumstances/Recovery}	F	-
2017~18 Council Tax ~ Reconciliation {Gross Debit, Valuation Office & Income}	F	-
2017~18 Council Tax Local Discount Reduction Scheme {Compliance}	S	20
2017~18 NNDR ~ Reconciliation {Gross Debit, Valuation Office & Income}	F	-
2017~18 Treasury Management	F	-
<b>System (Cyclical Reviews)</b>		
2017~18 Elections & Electoral Register	S	21

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
<b>F = Full</b>	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.
<b>S = Some</b>	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.
<b>L = Limited</b>	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.
<b>U = Unsound</b>	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.

<b>AUDIT REPORT TITLE:</b> Housing Benefits Compliance Testing 2017-18 <b>BUDGET: £32,919,720 Est 2017-18</b> <b>CORP RISK:FAILURE OF THE INTERNAL CONTROL ENVIRONMENT</b>	<b>ACTION PLANS: 21.07.17 &amp; 23.01.18</b> Interim Meeting: 15.08.17  <b>DRAFT REPORT DATE ISSUED: N/A</b> <b>FINAL REPORT DATE ISSUED: 9<sup>th</sup> March 2018</b>	<b>SERVICE:</b> Director: Resources {Revenues & Benefits}  <b>RESPONSE RECEIVED DATE: N/A</b>
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	<b>Other</b>	<b>Medium risk - action required but not urgent</b>
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	<b>Significant</b>	<b>High risk – urgent action needed</b>
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

**Overview:**  
 This Audit forms part of the annual assurance reviews undertaken as part of the annual Internal Audit plan 2017-18. The review was carried out to ensure that there are adequate controls over a key financial system to support an effective control environment by ensuring that benefits payments for rent allowance claims are assessed appropriately and calculated accurately. Overpayment accounts were also tested to ensure that calculations were accurate and recorded in the Subsidy Report.

**Housing Allowances**  
 A random sample of 20 accounts with Housing Benefit entitlement was selected and examined in detail to ensure there is adequate proof of income and / or valid Department of Works and Pensions notification; adequate proof of capital and any income from capital is correctly calculated; that the level of disregards against income, non-dependant income and allowances and premiums have been assessed and applied correctly. There is a benefit application form and evidence of proof of identity and verifying the benefit is based on the correct eligible rent.

**Overpayments**  
 A random sample of 20 accounts with a Housing Benefit overpayment was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original benefit assessment was calculated accurately, the revised assessment was calculated accurately and the overpayment was correctly stated in the subsidy and overpayment reports produced by the Civica (Benefits) computer system, and being recovered in accordance with legislation.

Detailed compliance testing completed to cover the period April ~ December 2017 was undertaken throughout the year. Following the first phase of testing to include 5 rent allowance payments and 5 overpayment calculations, an action plan was issued to the Revenues, Benefits & Customer Services Manager to advise that whilst there were no matters arising from the housing rent allowance claims examined, the verification of the overpayment calculations did highlight two issues for consideration. The first was in respect of an incorrect assessment for student maintenance loan which has resulted in a reassessment of the single claim selected for review. The error identified an issue with the methodology for calculating annual student income figures to weekly student income figures. A student income team was established by the Principal Benefits Officer and all claims relating to student income were reviewed and reassessed as required. Whilst further over/underpayments were identified, the raising of the issue early had ensured further potential overpayments were prevented. The second issue identified was in respect of Real Time Information (RTI) for statutory sick pay, for this the Principal Benefits Officer sought clarification from external advisors.

Following the second phase of testing to include 10 rent allowance payments and 10 over payment calculations a progress report was issued to the Revenues, Benefits & Customer Services Manager to advise that there were no matters arising, and where clarification had been sought, comprehensive responses were provided by the Principal Benefits Officer. The third phase of compliance testing did require the reassessment of four claims for which an Action Plan was issued to the Revenues, Benefits & Customer Services Manager. The testing identified an issue relating to the calculation of a claimants occupational pension, which following re-assessment resulted in an underpayment due to the claimant. For the three overpayment claims reviewed, whilst inaccurate parameters had been recorded on the claimants account {one with an incorrect rent figure that had not been updated on the Civica system and two accounts with incorrect child benefit figures}, once all claims were correctly updated, it was found that the changes had not resulted in additional overpayments. Due to the Local Housing Allowance rent limit already being exceeded and child benefit being disregarded.

**Conclusion**  
 On the basis of the work undertaken, the review has concluded that within the procedures in operation for assessing entitlement to and payment of Housing Benefit along with the recovery of overpayments the system is well managed. Detailed clarification was provided by the Principal Benefits Officer throughout the audit review, and in respect of the matters arising, it was for a small element of the overall Benefits assessment process. In view of the prompt action taken by the Revenues, Benefits and Customer Services Manager and Principal Benefits Officer, the overall conclusion therefore, is that **SOME** assurance can be given in that the internal controls in place for the assessment of Housing Benefit are operating effectively within this key system.

<b>AUDIT REPORT TITLE: Council Tax Reduction {Local Scheme} Compliance Testing 2017-18</b>  <b>BUDGET: £6,877,357 Estimated 27.02.17</b>  <b>CORP RISK:FAILURE OF THE INTERNAL CONTROL ENVIRONMENT</b>	<b>ACTION PLANS ISSUED:</b> 05 <sup>th</sup> July 2017 {Top-up & Phases 1} 05 <sup>th</sup> January 2018 (Phases 2 & 3)  <b>DRAFT REPORT DATE ISSUED: N/A</b>  <b>FINAL REPORT DATE ISSUED: 7<sup>th</sup> March 2018</b>	<b>SERVICE: Directorate: Resources {Revenues &amp; Benefits}</b>   <b>RESPONSE DATE: N/A</b>
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	<b>Other</b>	<b>Medium risk - action required but not urgent</b>
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

**Overview**  
 This Audit forms part of the annual assurance reviews undertaken as part of the annual Internal Audit plan 2017-18. The review was carried out to ensure that there are adequate controls over a key financial system to support an effective control environment by ensuring that the Council Tax Reduction Scheme payable for council tax support under the local scheme is assessed appropriately and calculated accurately. Overpayments relating to the local reduction scheme on council tax accounts were also tested to ensure that calculations were accurate and recorded on the account accordingly.

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

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

Following the initial testing of 10 claims with entitlement awarded, and 5 claims with a recovery of overpayment, a progress report was issued to the Revenues, Benefits & Customer Services Manager to advise of the outcome of this testing, and that there were no matters arising requiring action. The second phase of testing covered June-September 2017 and included a further 5 claims reviewed for entitlement and 5 with an overpayment for which there were no matters arising, with a further progress report was issued to the Revenues, Benefits & Customer Services Manager. In respect of the sample of claims reviewed for the months of October-December 2017, whilst there were no matters arising requiring action for the 5 claims reviewed for entitlement, a reassessment was required for 1 of the 5 overpayment claims selected. The reassessment arose due to a negative universal credit tax figure being entered on the system as a positive. Any matters arising were dealt with promptly by the Principal Benefits Officer with an action plan formally issued to the Revenues, Benefits & Customer Services Manager.

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

<b>AUDIT REPORT TITLE: Elections &amp; Electoral Registration 2017/18</b>	<b>DRAFT REPORT DATE ISSUED:</b> 15 <sup>th</sup> January 2018	<b>SERVICE: Solicitor to the Council</b>
<b>BUDGET: 2018~18 Estimated Net Cost of Service £303,590</b> <b>REF: P136/R500</b>	<b>FINAL REPORT DATE ISSUED:</b> 28 <sup>th</sup> March 2018	<b>RESPONSE RECEIVED DATE:</b> 27 <sup>th</sup> March 2018

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

**Overview**

The review was carried out to ensure that there are adequate controls over a key financial system to support an effective control environment by ensuring that there are appropriate arrangements in place relating to the administration of the electoral register and for undertaking elections within Wyre Forest District Council. An assessment of the processes in place for access and additions/deletions/amendments to the register of electors and for recording costs and expenses claim from other bodies; also that statutory requirements are met for the carrying out of elections including suitable arrangements for the administration, receipt and count of postal votes and that fees received from the sale of the register are in line with legislation and with approved scale of charges.

During the review it was identified that system documentation is in the process of being re-written with both members of the Election team being relatively new to the Council and neither having had previous experience of working with the Xpress Elections Application, training has been received on the Register only. A sample of new electoral registration documents were selected for detailed testing and it was found that one form had not been correctly updated with a Jury Service exemption on the Xpress Elections Application. Fees and charges relating to the sale of the register were found to be accurate in relation to legislative charges and recorded in the approved Council Financial Strategy 2017-2020 however; the sale of address labels had not been included within the charging schedule agreed by Council. In addition, whilst the sale of address label payments had been processed onto the Agresso Financial System it was with an incorrect narrative (register and map). Employee bank account details held on the Xpress Elections Application Xpress Elections Application on occasion differed from those held within the CHRIS payroll system and payroll numbers as allocated via the CHRIS 21 Payroll system were not always recorded and cross referenced against the employee information held on Xpress Elections Application for completeness. At the time of review the election expense returns for the General and County elections were in the process of being completed using information obtained from the Agresso Financial Management System, the Electoral Services Manager is working closely with the Accountancy team to ensure these records are accurate and the returns are correct.

**Conclusion**

On the basis of the work undertaken, the review has concluded that systems in operation for the administration of the electoral register and for undertaking elections within the Wyre Forest District are operating well and are being managed effectively; however there are some areas where there are opportunities for improvement.

The overall conclusion therefore, is that **SOME** assurance can be given on the internal controls in place. The implementation of the recommendations has given and will continue to give opportunities for improvement, to further strengthen the system in place and raise the level of assurance.

**Quarter Report to the 31st March 2018**

<b>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2018</b>		
<b>TITLE</b>	<b>DATE OF ISSUE</b>	<b>CURRENT STATUS OF REPORT</b>
2017~18 Payroll Compliance {Accountancy ~ Payroll}	06.02.18	Final Response Received 09.04.18
2017~18 Payroll Compliance {Human Resources}	06.02.18	Initial Response Received 18.02.18/Additional Action Plan Issued 27.04.18*

**\*Note to Reader:**  
 As there were additional points for action to be considered by the HR Team following the response from the Payroll Team, an additional action plan has been issued to allow for a formal response from the HR Team to be incorporated into the final internal audit report.

SECTION 4

The following Action Plans have been issued to Managers. In addition, the table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2017~18 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

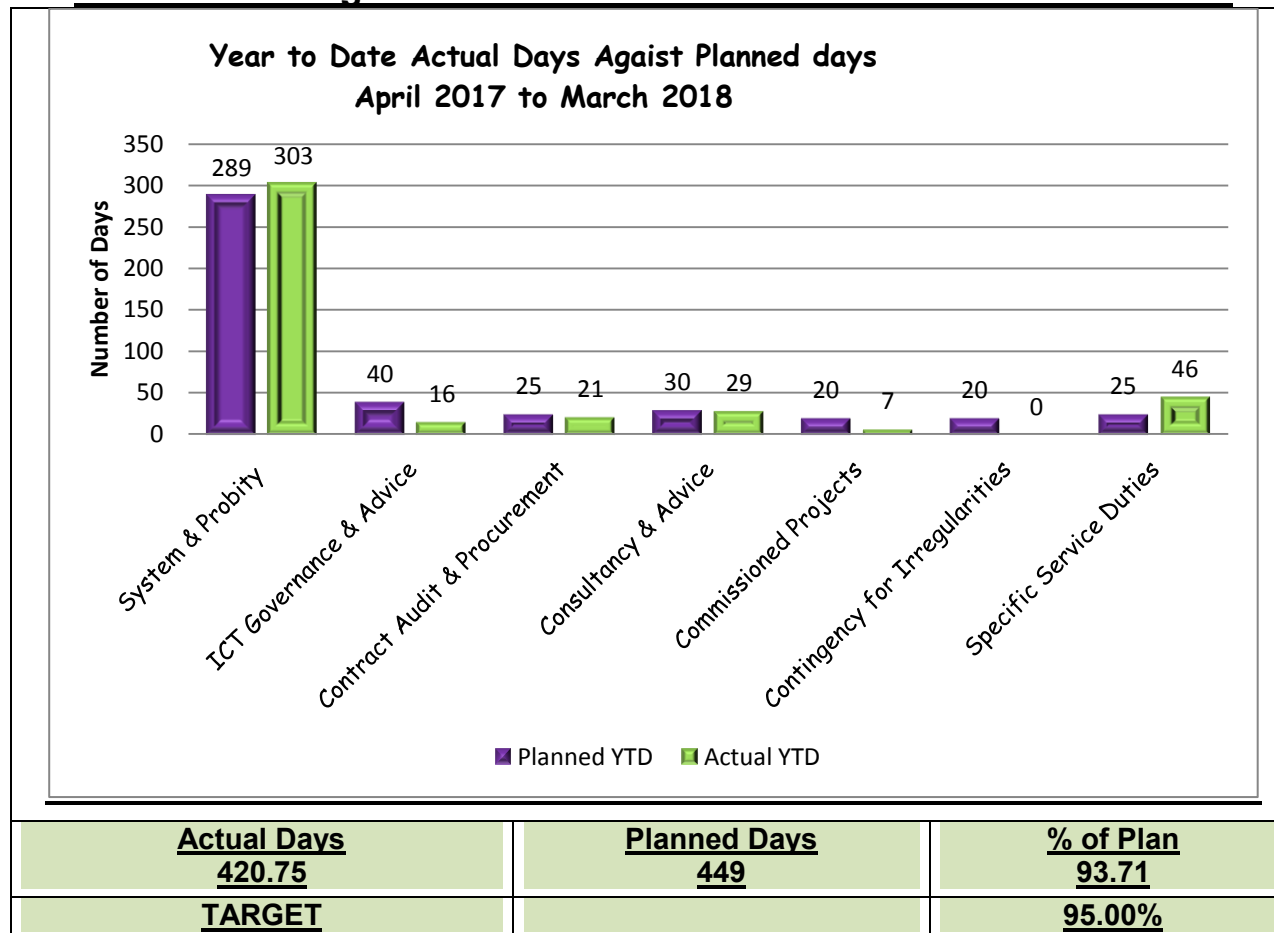
WORK IN PROGRES AS AT 31 <sup>ST</sup> MARCH 2018		Status	Action Plans/Progress Report			DATE OF COMPLETION OF FIELD WORK
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.18	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	
	<b><u>Core Financial Systems (Annual Assurance Reviews)~ 2017~18 Annual Audit Plan</u></b>					
RA74	<b><u>Accounting Cash To Bank</u></b> Corporate Income To Bank ~ HUB Corporate Income To Bank ~ TIC/Museum Corporate Income To Bank ~ Green St Depot Bank Reconciliation	Stage 6 Stage 6 Stage 6 Stage 6	- - - 22.05.17	- - - 04.08.17	- - - 08.12.17	08.08.17 {FR} 22.12.17 {FR} 24.01.18 {FR} 12.03.18 {FR}
RA88	<b><u>Benefits (Inc Council Tax Discounts (Local Scheme))</u></b> Council Tax Reduction {Local Scheme} ~ Compliance Housing Benefit {Allowances} Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 6 Stage 6 Stage 4	05.07.17 - -	- 21.07.17 -	05.01.18 23.01.18 -	12.02.18/07.03.18 {FR} 12.02.18/09.03.18 {FR} 09.04.18
RA82	<b><u>Council Tax</u></b> Ctax Reconciliations ~ {To include Gross Debit 2016/17} Ctax Compliance/Recovery	Stage 6 Stage 6	30.05.17 -	08.08.17 26.07.17	- 19/20.12.17	20.04.18 {FR} 15.02.18/13.03.18 {FR}
RA80	<b><u>Creditors (Accounts Payable)</u></b> Creditors {Accounts Payable} ~ Compliance Creditors {Accounts Payable} ~ Reconciliation	Stage 4 Stage 6	- -	- 25.07.17	- -	30.01.18 26.01.18 {FR}
RA89	<b><u>Debtors (Accounts Receivable)</u></b> Debtors {Accounts Receivable} ~ Compliance Debtors {Accounts Receivable} ~Reconciliations	Stage 4 Stage 6	- -	- 24.07.17/05.10.17	- -	24.04.18 22.01.18 {FR}
RA71	<b><u>Establishment</u></b> Establishment Reconciliation {Accountancy} Establishment {Staff Record Forms}	Stage 4 Stage 3	- -	- -	- -	03.04.18 -
RA84	<b><u>National Non Domestic Rates</u></b> NNDR ~ Reconciliations ~ {To include Gross Debit 2016/17} NNDR ~ Compliance	Stage 6 Stage 4	31.05.17 -	06.10.17 -	- 22.01.18	12.02.18/13.03.18 {FR} 25.04.18
RA85	<b><u>Payroll (Including Mileage &amp; Subsistence Claims</u></b> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^ ^ <i>Field Work includes Local Government Pension Scheme &amp; Local Pay Award</i> Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 5 Stage 6	- -	15.08.17/16.10.17 -	- -	06.02.18/09.04.18 13.12.17 {FR}
RA103	<b><u>Treasury Management</u></b>	Stage 6	-	-	-	20.04.18 {FR}

**KEY**

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

**Audit Resource Statistics**

**Performance Against Annual Plan For The Financial Year 2017/18**

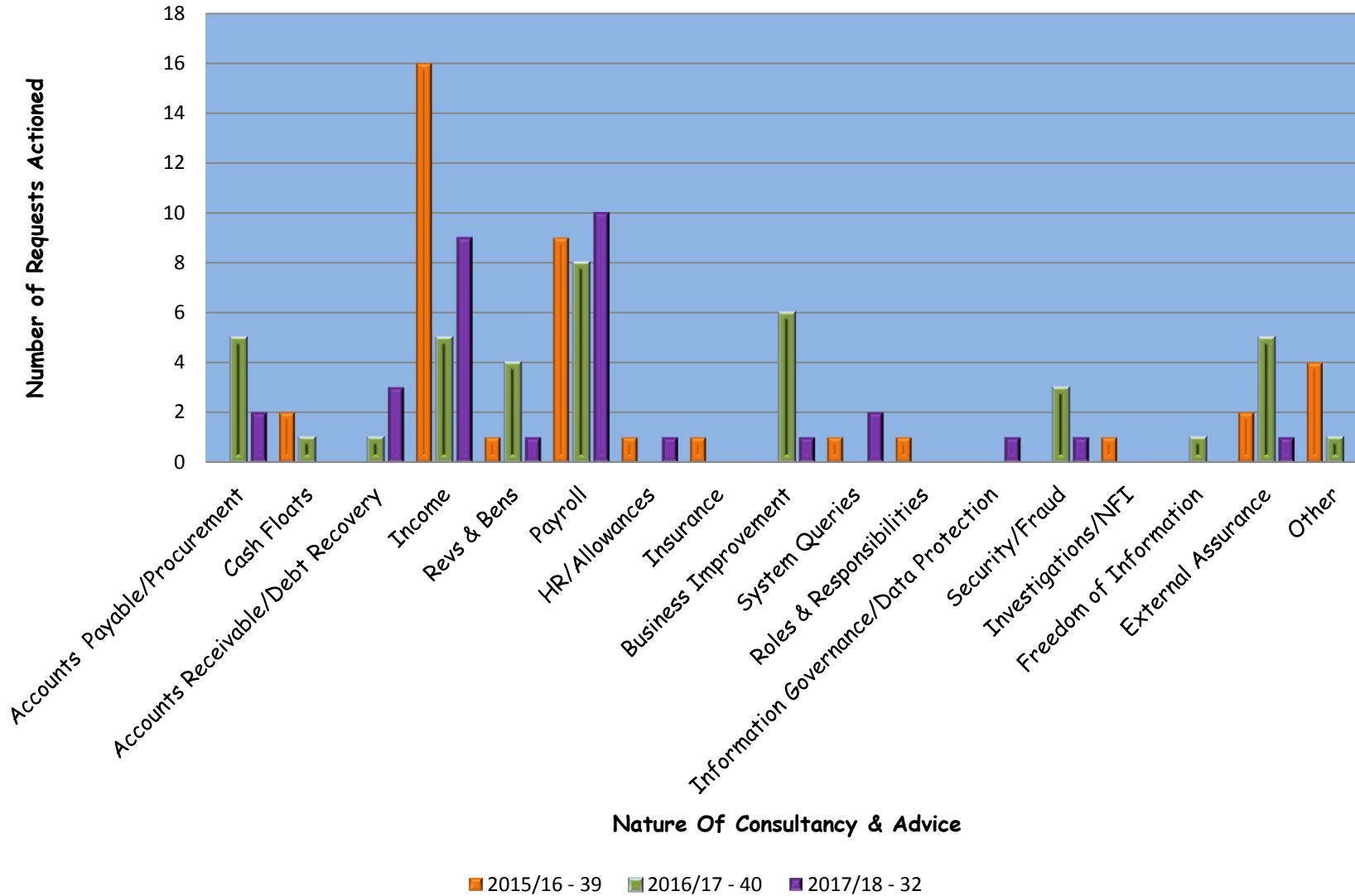


➔ Overall for the full financial year of 2017/18 **93.71%** of the audit plan has been achieved against the target of 95% in comparison to a **94.04%** for the 2016/17 financial year.

➔ Within the time allocated in the above table, during this fourth and final quarter of 2017/18 the Internal Audit Team have responded to **32** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **40** requests received and actioned for the same period for 2016/17 and the **39** requests received and actioned for the same period in 2015/16.



Comparison Of Audit Consultancy & Advice  
 Quarter 4 (January to March) ~ 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 and Project Management Officer in his role as Data Protection Officer for the Council; to include a strategic view of GDPR preparation.
- Attend the Information Governance Working Group.

**Contracts & Procurement**

- Monitoring of the final payments in respect of the Leisure Centre.
- Monitoring of the contract payments for the new car park facilities aligned to the Leisure Centre.
- Monitoring of the Load Street Car Park refurbishment Bewdley

**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 continuous improvement service 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 support to the Fleet Officer on the implementation of the Garage Hive application. This has seen the replacement of a manual system to provide end to end booking, work processing and invoicing with integrated re-charges and management reporting. Processing efficiencies have been realised, with improvements in the manner in which garage orders are raised and stock is accounted for, with income collection more timely. Progress will continue to be reviewed to include the process to set up a full stock control system for the ordering, recording and issuing of personal protective clothing, uniforms and equipment.

**External Commissioned Work**

During the latter part of the quarter, the Senior Auditor has commenced the provision of an internal audit service by the completion of external reviews for the Merian Educational Trust based at the Malvern Hills Science Park. This has generated some external income for 2017/18. Internal audit reviews were conducted on two of the schools under the management of the trust in the format of a programme of checks to provide assurance that:-

- The financial responsibilities of the governing body are being properly discharged;
- Resources are being managed in an efficient, economical and effective manner;
- Sound systems of internal control are being maintained;
- Financial considerations are fully taken into account in reaching decisions.

SECTION 6

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.
FINAL AUDIT REPORTS ISSUED IN THE PERIOD 1 <sup>ST</sup> APRIL 2017 TO 31 <sup>ST</sup> DECEMBER 2017 - KEY SYSTEMS	
QUARTER ENDED 30 <sup>TH</sup> JUNE 2017	ASSURANCE
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2016~17 Members Allowances ~ Extract from Payroll Compliance	F
2016~17 Payroll ~ Compliance	S
2016~17 Payroll ~ Reconciliations	S
QUARTER ENDED 30 <sup>TH</sup> SEPTEMBER 2017	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2017~18 Income to Bank { HUB/Internet/Automated Telephone Payments}	F
QUARTER ENDED 31 <sup>ST</sup> DECEMBER 2017	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2017~18 Accounts Payable {Reconciliation}	S
2017~18 Accounts Receivable {Reconciliation}	F
2017~18 Income To Bank {Green Street}	F
2017~18 Income To Bank {Bewdley TIC/Museum}	F
2017~18 Payroll {Reconciliations}	F

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE****30<sup>th</sup> May 2018****INTERNAL AUDIT  
PUBLIC SECTOR INTERNAL AUDIT STANDARDS  
OUTCOME OF EXTERNAL QUALITY ASSESSMENT**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Cllr. Nathan Desmond
<b>RESPONSIBLE OFFICER</b>	Tracey Southall, Extension No. 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX 1</b>	Validated Self-Assessment Final Report ~ Tilia Solutions including Appendix 1 – Action Plan for future implementation

**1. PURPOSE OF REPORT**

The purpose of this report is to advise members of the outcome of the external assessment of the Council's Internal Audit function as a requirement of the UK Public Sector Internal Audit Standards

**2. RECOMMENDATION**

The Audit Committee is asked to note:

**2.1 The outcome of the external assessment of Internal Audit by Tilia Solutions and the supporting action plan for future implementation.****3. BACKGROUND**

3.1 The work of the Internal Audit Team is undertaken in consideration of the UK Public Sector Internal Audit Standards which came into effect on 1<sup>st</sup> April 2013 {updated 2016}. The standards are mandatory. The standards require that an external assessment of the Internal Audit Service is conducted by 31<sup>st</sup> March 2018 to be conducted by a qualified independent assessor or assessment team.

3.2 At the meeting of the Audit Committee 31<sup>st</sup> July 2017 the Audit Committee endorsed a validation of the self assessment with an action plan to enhance the delivery of the Internal Audit service. In accordance with the Councils Contract Procedure Rules and to demonstrate best practice, three external providers who met the requirements of the standards to undertake an external assessment were invited to submit quotations. The appointment was based on price alone. At the meeting of 27<sup>th</sup> November 2017 the Audit Committee supported the appointment of Tilia Solution Ltd as the qualified assessor to complete the external assessment of the Council's Internal Audit Service.

**4. KEY ISSUES**

4.1 The external review was conducted by Elizabeth Humphrey, Director of Tilia Solutions who was on site on 19<sup>th</sup> and 20<sup>th</sup> February 2018, the review comprised the following:-

## Agenda Item No. 6

→ Validation of the self-assessment prepared against the standards with supporting document: to include:-

→ Brief interviews with key stakeholders to check the conclusions drawn in the self-assessment to include:

- The Audit Manager
- The audit team, as a group
- The Chair of the Audit Committee
- The Corporate Director: Resources
- The Chief Executive
- The External Auditor
- Two Auditees, whose files are subject to review

→ A review of the self-assessment against the evidence file which included:

- The Internal Audit Charter
- The Audit Manual
- Audit Committee Reports and Minutes {2017/18}
- The Audit Plan {2017/18}
- The Annual Audit Report {2016/17}

→ A review of two audit files and working papers, selected from the current year's audit activity, with the Audit Manager undertaking further testing of audit files.

- 4.2 The appendix sets out the Final agreed report arising from the external review. The overall opinion arising from the external review identified no areas of non compliance with the standards that would affect the operation of the Council's internal audit function.
- 4.3 The report includes recommendations to help further develop the audit service along with some recommendations to progress towards full compliance with the standards. The review also identified some constructive suggestions for progression of the internal audit function in line with best practice. These recommendations have been reviewed in detail with responses from the Audit Manager following detailed discussions with the Corporate Director: Resources as detailed in the Action Plan at Appendix 1 of the Final Report.
- 4.4 The overall review of the service went well. Following the onsite visit of Tilia Solutions, further detailed discussions were held with Elizabeth Humphrey to clarify some of the findings within the initial draft report. These clarifications were where evidence that had been available at the time of the on site visit, had not been taken into account. Where appropriate, additional explanations and supporting evidence were provided. This clarification process also provided Elizabeth the opportunity to expand on the detail of some of the direct responses from interviewees during the on site visit.

At the end of this process, Elizabeth commented that the robustness of the responses and the additional evidence provided as a very positive part of the process, allowing for a detailed review of the initial findings to avoid any false conclusions. Elizabeth valued the teams' constructive approach and willingness to adapt our processes to ensure the internal audit service benefitted from the external review. Elizabeth considered the team compares favourably to other similar teams she has reviewed and was particularly complimentary about the inclusion of the trainee post within the structure as many sites no longer offer training. The willingness shown by the team to acknowledge and embrace change was a very positive aspect of the review.

- 4.5 It is acknowledged that there are areas for further development and improvement of the service and as detailed in the responses to the action plan, these are not considered onerous. In response, the Audit Manger with the team have already sought to review some of our working practices to aid on going improvement in the delivery of the internal audit service within Wyre Forest District Council.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 There are financial implications arising from this report in that the external assessment incurred a cost to the delivery of the Internal Audit Service. The final cost of the preferred option of the validation of the self assessment was £1,791.85.. This expenditure was 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”*.

## **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 is not required for this review of internal audit arrangements.

## **9. CONCLUSION**

- 9.1 An effective Internal Audit Team supports strong governance arrangements. The external assessment provides assurance regarding the effectiveness of the Internal Audit Function and with the implementation of the agreed recommendations including the service suggestions will demonstrate a Service following best practice. This external review as required by the UK Public Sector Internal Audit Standards has resulted in constructive independent challenge of this Council's detailed processes and procedures. The detailed discussions with Elizabeth following the initial findings, in particular, provided an invaluable forum for reflection and consideration of further development of this key assurance service. The recommendations have been agreed and are

welcomed to further enhance what is already a sound service and ensure it remains up-to-date and relevant to best meet business need and embraces best practice.

**10. CONSULTEES**

10.1 Corporate Leadership Team

**11. BACKGROUND PAPERS**

27<sup>th</sup> November 2017/31<sup>st</sup> July 2017 ~ Audit Committee ~ External Quality Assessment  
United Kingdom Public Sector Internal Audit Standards ~ April 2013 {Updated April  
2016}  
Accounts and Audit Regulations 2015

**Tilia Solutions**  
CORPORATE GOVERNANCE CONSULTANCY



**FINAL**

**Review of**

**Wyre Forest District Council's Internal Audit Team**

**20 April 2018**

**Elizabeth Humphrey CPFA**



## Validation of the self-assessment of the Internal Audit Service at Wyre Forest District Council (February 2018)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and have been further revised on 1 April 2017. The standards require periodic self-assessments and an assessment or validation of a self-assessment by an external person every five years. Wyre Forest District Council has recently undertaken the required self-assessment and commissioned this validation. The self-assessment also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The validation was carried out through a process of interview and document review. A list of interviewees is included at appendix 2. I should like to thank all those who took the time to talk to me for their help. I reviewed two audits carried out during the 2017/18 financial year and, as part of their self-assessment, the Audit Manager and her team reviewed a further four audits. I examined key documents including the Charter and reports to the Audit Committee.

I identified no areas of non-compliance with the standards that would affect the operation of the internal audit function, although the approach taken to audit planning, both annually and for individual audit assignments, needs revising to increase the focus on council priorities and risks. The Audit Manager has many calls on her time which can cause delays in issuing audit reports: increased delegation to her team would enable her to take a more strategic position. Making these changes will increase the support that internal audit can give to Wyre Forest to manage its strategic risks and achieve its corporate priorities.

I have made some practical and pragmatic recommendations (R) to develop the audit service, some compliance recommendations (C) to ensure compliance with the Standards and lower priority suggestions (S) to support the development of the internal audit function. The Audit Manager (AM) will need to take action to implement them and an action plan is included as appendix 1.

### Summary findings and recommendations

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
<b>Mission</b>	Complies	The Charter includes the newly developed internal audit mission		
<b>Core principles of internal audit</b>	Partial compliance	The Core Principles in relation to the behaviours of the team were all met. However, because audits are control rather than risk based, the Core Principles that focus on planning audit work have only been partially met. Implementing the recommendations below will improve compliance	See R2, R3, R4, R5, R6, R10, R11, R12 and S1	

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
<b>Code of Ethics</b>	Complies	All interviewees stressed the emphasis placed on ethics by the audit team and their independence and objectivity		
<b>Attribute standards</b>				
<b>1000</b> Purpose, authority and responsibility	Partial compliance	<b>Standard 1000.AI</b> The Charter refers to providing assurance but does not define the nature of those assurance services. Nor does it refer to the assurance provided for external parties	Amend the Charter to define the nature of assurance work, including that provided to external parties. Also define commissioned work, making it clear that this is not part of the core assurance work to support the annual audit opinion	CI
		<b>Standard 1000.CI</b> The team provides consultancy work, known as commissioned work. There is no definition of commissioned work in the Charter to distinguish it from advice and work that is undertaken to support the audit opinion		
		<b>Standard 1010</b> The Charter refers to the Core Principles and the Code of Ethics but gives no details regarding what these encompass In addition, the Charter gives only brief details about the counter-fraud work undertaken by audit. This is a non-audit activity and should be highlighted as such <b>LGAN p9</b> There have been no reviews of Audit Committee effectiveness, possibly because of the annual turnover of members due to rolling elections	Set out the Core Principles and Code of Ethics in the Charter, explaining how audit delivers against these Highlight that audit has no responsibility to identify frauds  See C3 below  Once rolling elections cease and the Audit Committee is more stable, conduct a review of its effectiveness	SI  S2  RI
<b>1100</b> Independence and objectivity	Partial compliance	<b>Standard 1110</b> The audit team is independent and objective and there have been no instances of their independence being	Include an explicit declaration of audit's independence in the annual report each year	C2

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		<p>compromised. This should be confirmed explicitly to the Audit Committee</p> <p><b>Standard 1112</b></p> <p>The audit team occasionally undertakes investigation work. This is a non-audit activity and could impair audit's ability to review counter-fraud activities. Safeguards to manage this are not in place</p>	<p>Develop safeguards to maintain audit's independence and objectivity relating to undertaking investigation work and present them to the Audit Committee for review and approval</p>	<p>C3</p>
<p><b>1200</b> Proficiency and due professional care</p>	<p>Partial compliance</p>	<p><b>Standard 1210</b></p> <p>The audit team is experienced and its members hold a number of accountancy and audit qualifications. It is to be commended for employing a trainee. However, the Standards require the head of audit to hold a professional qualification which is not the case</p> <p><b>Standards 1210.A2, 1220.A3 and 2120.A2</b></p> <p>Almost all audit briefs are written by the AM based on the annual audit planning work. Auditees are consulted but not involved in planning individual audits. The focus of the work is on controls rather than risk. There is no explicit consideration of fraud risk</p>	<p>Enhance audit planning and expand the audit brief to focus on risk, especially strategic risks and risks that specifically relate to the area being audited, including fraud risks</p> <p>Involve auditees in the risk-based planning of each assignment</p> <p>Give auditors responsibility for developing audit briefs, to be reviewed and signed off by the Audit Manager</p>	<p>R2</p> <p>R3</p> <p>S3</p>
<p><b>1300</b> Quality assurance and improvement programme (QAIP)</p>	<p>Non-compliant</p>	<p><b>Standards 1310, 1311 and 1320 and LGAN p12</b></p> <p>A self-assessment against the PSIAS and LGAN was undertaken in 2014. There is an expectation that the results of the QAIP, including achievement against the</p>	<p>Develop an over-arching QAIP setting out the different quality checking processes followed</p> <p>Ensure that some form of quality assurance review of the service is undertaken</p>	<p>C4</p> <p>R4</p>

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		<p>previous year’s action plan, are reported in the annual report each year, requiring annual reviewing. There is no over-arching QAIP to set out the processes to be followed</p> <p><b>LGAN p13</b> There is a limited suite of performance indicators for the function which are reported quarterly. There is no indication of trends over time. They are not included in the Annual Report</p>	<p>each year, with an action plan presented to the Audit Committee to address areas for development</p> <p>Involve others from the authority who have knowledge of audit (Audit Committee members, s151, etc) in QAIP reviews occasionally</p> <p>Expand the performance indicators used by audit and report the trend over time in the Annual Report</p>	<p>S4</p> <p>R5</p>
<b>Performance standards</b>				
<p><b>2000</b> Managing the internal audit activity</p>	<p>Partial compliance</p>	<p><b>Standards 2010 and 2010.A1</b> The annual audit plan centres around reviewing the key financial systems, leaving little flexibility to consider the risks and priorities of the authority</p> <p><b>Standard 2010.A2</b> There has been no recent discussion of the form of the opinion delivered by internal audit</p> <p><b>Standard 2060</b> The AM attends CLT to present the annual plan. Interim and year end reports on audit activities are seen by the CLT but the AM does not present these reports</p> <p><b>LGAN p4</b> The manual refers to compliance with the PSIAS, including a copy of the Standards, (but not with the LGAN) but gives no guidance on how this is to be achieved in the WFDC context</p>	<p>Shift the focus of audits to concentrate on the key risks and priorities for WFDC and review the key financial systems in accordance with the risks they pose to the Council</p> <p>Discuss different forms of opinion with CLT and the Audit Committee</p> <p>The Audit Manager should attend CLT more routinely, as a minimum for the mid-year and year end audit reports</p> <p>Build compliance with PSIAS and LGAN into the relevant activities in the manual</p>	<p>R6</p> <p>S5</p> <p>R7</p> <p>C5</p>

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
<b>2100</b> Nature of work	Partial compliance	<p><b>Standards 2110, 2120.A1 and 2130.A1</b> The operational nature of the audit plan and its focus on the key financial systems means that audit does not examine governance activities or risks in relation to strategic decision making, nor does it consider the efficiency and effectiveness of operations</p> <p><b>Standard 2110.A1</b> No work has been undertaken on the implementation and effectiveness of ethics-related activities</p> <p><b>Standard 2110.A2</b> The section carries out high-level ICT audit testing (access controls and similar) but there is no ICT audit expertise in the section and no in-depth ICT audit work is undertaken. Audit draws assurance from the testing commissioned by the ICT section from external bodies</p>	<p>Broaden audit planning, both annual and assignment, to focus on risks and include consideration of strategic decision making and the efficiency and effectiveness of operations</p> <p>Build consideration of ethical matters into the planning of audits</p> <p>Develop an understanding of ICT audit risks, ideally commissioning a specialist provider to undertake this work</p>	<p>R6 R2</p> <p>R8</p> <p>R9</p>
<b>2200</b> Engagement planning	Partial compliance	<p><b>Standards 2201, 2210, 2210.A2 and 2210.A3</b> Audit briefs do not always cover:</p> <ul style="list-style-type: none"> <li>• The strategies and objectives of the activity being reviewed</li> <li>• Opportunities for making improvements to the activity and assessing value for money</li> <li>• The objectives of the assignment (to provide assurance and support the opinion)</li> </ul>	<p>Address audit planning and the contents of the audit brief as indicated See also R3 and S3</p>	R2

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		<ul style="list-style-type: none"> <li>The risk of errors, fraud and non-compliance</li> </ul> <p><b>Standard 2210.AI</b> Audit briefs refer to risks to the review activity but these risks are not reflected in the planning, which is control-based, or reporting of the audit</p> <p><b>Standards 2240 and 2240.AI</b> The majority of audits follow a routine approach and so audit programmes are not developed. However, the shift to a risk focus will mean that the approach to each audit will be different and work programmes, detailing the procedures to be followed, will be necessary to guide the work</p> <p><b>Standards 2201.AI, 2210.C1, 2210.C2, 2220.A2, 2220.C1 and 2240.C1</b> These standards relate to carrying out audit work for external parties and planning of commissioned work. The nature of the specific pieces of commissioned work that I examined meant that I was unable to reach a conclusion against these standards. They should be a focus for future QAIP activities</p>	<p>See R2 and R10</p> <p>Develop risk-focussed work programmes for audits, setting out the activities that are to be carried out against the risks identified to meet the objectives of the audit Ensure that work programmes are approved before being implemented See also R11</p>	<p>R10</p>
<p><b>2300</b> Performing the engagement</p>	<p>Partial compliance</p>	<p><b>Standards 2310, 2320 and 2330</b> It was difficult to follow the audit trail to assess if sufficient information had been identified for analysis and evaluation. The lack of a “risk thread” through the audit and no work programme as a central</p>	<p>Use a risk-focussed work programme as a core document to record summary information and improve the audit trail from the brief, through working papers and to the report</p>	<p>R11</p>

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		working paper to bring everything together exacerbated the situation	See also R10	
<b>2400</b> Communicating the results	Partial compliance	<b>Standard 2410 and LGAN p19 c) and f)</b> Final audit reports do not always include the scope and objectives of the review as set out in the audit brief	Include the audit scope and objectives in every audit report. This could be by including the brief as an appendix to the report	R12
		<b>Standard 2410.A3</b> The majority of audit reports are in the public domain but do not contain a limitation statement regarding their distribution and the use of results	Include a limitation statement on all audit reports	R12
		<b>Standard 2420</b> Because of the level of detail in audit reports, they are not concise. There can also be delays in issuing reports as the AM has many calls on her time	Include summary information only in audit reports. Details, if needed, should be shared separately	R12
		<b>Standards 2440, 2440.AI, 2440.CI and LGAN p19</b> Reports do not include the names of the auditors undertaking the work, the name of the AM nor do not show to whom they have been sent. If they are separated from the accompanying email, this information is lost. In addition, audit briefs do not show the report circulation	Set and monitor targets for issuing draft and final audit reports	S6
		<b>Standard 2450</b> The annual internal audit opinion included in the annual audit report refers only to the internal control system: it should also conclude on the risk and governance environment. It is presented as the opinion of the s151 officer	Include the Audit Manager's name on all audit reports	R12
			Include the names of the auditors involved in the work on audit reports	R12
			Include a circulation list on all reports and audit briefs	R12
			Revise the Annual Report to include an opinion that refers to the governance, risk and internal control framework	R13
	Make it clear that the opinion is that of the Audit Manager and not that of the s151	R14		

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
		<p><b>LGAN p20</b> Risks identified during audits are included in the relevant audit reports and are discussed with the relevant staff, including the s151, for possible inclusion in risk registers but this process could be more explicit</p>	<p>Consider including risk matters that have a broader relevance in staff bulletins Change the reporting of risks in reports to match the format used in risk registers, making it easier to include that information</p>	<p>S7  S8</p>
<p><b>2500</b> Monitoring progress</p>	Complies	The follow-up process, as described to me, complies with the standards but there is no guidance on the process in the audit manual or in audit reports	Include details of the follow-up process for both audits and commissioned work in the audit manual and in audit reports, for example, as a footer to the action plan	S9
<p><b>2600</b> Communicating the acceptance of risks</p>	Complies	There was no evidence that risks have been left unmitigated following an audit, highlighting the importance placed by the officers at the Council on audit findings		

The Audit Manager has details of the findings, standard by standard.

Elizabeth Humphrey CPFA

**Glossary**

- AM                    Audit Manager
- CLT                   Corporate Leadership Team
- LGAN                Local Government Advisory Note
- PSIAS                Public Sector Internal Audit Standards
- QAIP                 Quality Assurance and Improvement Programme
- S151                 Corporate Director, Resources



## Appendix I: action plan

### Recommendations

No	Recommendation	Response	Responsible officer	Action date
R1	Once rolling elections cease and the Audit Committee is more stable, conduct a review of its effectiveness	Acknowledge	S151 and Monitoring Officer	2019
R2	Enhance individual audit planning and expand the audit brief as follows: <ul style="list-style-type: none"> <li>• Focus on risk, especially strategic risks and risks that specifically relate to the area being audited, including fraud risks</li> <li>• Examine the efficiency and effectiveness of operations</li> <li>• The strategies and objectives of the activity being reviewed</li> <li>• Opportunities for making improvements to the activity and assessing value for money</li> <li>• The objectives of the assignment (to provide assurance and support the opinion)</li> <li>• The risk of errors, fraud and non-compliance</li> </ul> And make it timely so that planning is carried out at the time of the audit	Agree  Audit Briefs already make provision for review, but will look at wording of audit briefs Already included ~ No Further Action  Referenced in the formal audit report, and support the effectiveness/efficiency of the service area under review. Already the procedure ~ No Further Action  Already the procedure ~ No Further Action  Already the procedure ~ No Further Action	Audit Manager	April 2018
R3	Involve auditees in the risk-based planning of each assignment	Already the procedure ~ No Further Action	Audit Manager	April 2018
R4	Ensure that some form of quality assurance review of the service is undertaken each year, with an action plan presented to the Audit Committee to address areas for development	Do have end of audit questionnaires, but will look to enhance end of year reporting on service delivery	Audit Manager	May 2019

No	Recommendation	Response	Responsible officer	Action date
R5	Expand the performance indicators used by audit and report the trend over time in the Annual Report	Annual report does include detail by comparison of 2 years on number of audits completed and opinions given, but will look to review and enhance future annual reports.	Audit Manager	May 2019
R6	Shift the focus of annual audit planning as follows: <ul style="list-style-type: none"> <li>Concentrate on the key risks and priorities for WFDC, including strategic decisions</li> <li>Review the key financial systems in accordance with the risks they pose to the Council</li> </ul>	Acknowledged	Audit Manager	March 2018 {2018~19 Internal Audit Plan}
R7	The Audit Manager should attend CLT more routinely, as a minimum for the mid-year and year end audit reports	Agree. Will attend CLT more regularly	Audit Manager	April 2018
R8	Build consideration of ethical matters into the planning of audits	Guidance has been sought from the Monitoring Officer to confirm the ethical governance arrangements for WFDC and provide a reality check on the ethical framework. In addition, the 2018~19 Internal Audit Plan includes a specific review for ethics and governance.	Audit Manager	From April 2018 with completion of the 2018~19 Internal Audit Plan
R9	Develop an understanding of ICT audit risks, ideally commissioning a specialist provider to undertake this work	The Senior Auditor role encompasses ICT reviews and these are programmed into the audit plan. Acknowledge no member of team hold a formal ICT qualification. Specialist provider would be engaged where the skills set could not be met in house.	Audit Manager	Ongoing
R10	Develop risk-focussed work programmes for audits, setting out the activities that are to be carried out against the risks identified to meet the objectives of the audit. Ensure that work programmes are approved before being implemented	Consider these to be an extension of the audit brief therefore will look to enhance the current documentation to identify risk as the lead for audits.	Audit Manager	From April 2018 with completion of the 2018~19 Internal Audit Plan

No	Recommendation	Response	Responsible officer	Action date
R11	Use a risk-focussed work programme as a core document to record summary information and improve the audit trail from the brief, through working papers and to the report	Whilst this is the current document headed up “objective” as part of our methodology which takes the original reference from the audit brief and then provides for evidencing the detailed testing against the objective and identified risk, will look to review current practices to ensure work is risk focused.	Audit Manager	From April 2018 with completion of the 2018~19 Internal Audit Plan
R12	Revise audit reports to include: <ul style="list-style-type: none"> <li>• The audit scope and objectives. This could be by including the brief as an appendix to the report</li> <li>• A limitation statement on all audit reports</li> <li>• Summary information only. Details, if needed, should be shared separately</li> <li>• The Audit Manager’s name on all audit reports</li> <li>• The names of the auditors involved in the work on audit reports</li> <li>• A circulation list on all reports and audit briefs</li> </ul>	<p>Already included albeit in summary format</p> <p>Acknowledge and agree Already the procedure, report on exception</p> <p>This is already in place albeit by an email with the report as a paperless process {WFDC Transformation}, but will look to also include a box at the end of each report</p>	Audit Manager	April 2018
R13	Revise the Annual Report to include an opinion that refers to the governance, risk and internal control framework	Acknowledged; will be considered for the 2018~19 annual report	Audit Manager	May 2019
R14	Make it clear that the opinion is that of the Audit Manager and not that of the s151	Acknowledged; will be considered for the 2018~19 annual report	Audit Manager	May 2019

**Compliance requirements**

No	Compliance requirement	Response	Responsible officer	Action date
C1	Amend the Charter to define the nature of assurance work, including that provided to external parties. Also define commissioned work, making it clear that this is not part of the core assurance work to support the annual audit opinion	Agree	Audit Manager	Audit Committee July 2018
C2	Include an explicit declaration of audit's independence in the annual report each year	Agree. Will include in the 2017/18 annual report	Audit Manager	June 2018
C3	Develop safeguards to maintain audit's independence and objectivity relating to undertaking investigation work and present them to the Audit Committee for review and approval	Acknowledge	Audit Manager	Audit Committee July 2018
C4	Develop an over-arching QAIP setting out the different quality checking processes followed	Acknowledge and agree	Audit Manager	July 2018
C5	Build compliance with PSIAS and LGAN into the relevant activities in the manual	Acknowledge	Audit Manager	From April 2018

### Suggestions

No	Suggestion	Response	Responsible officer	Action date
S1	Set out the Core Principles and Code of Ethics in the Charter, explaining how audit delivers against these	Agree	Audit Manager	July 2018
S2	Highlight that audit has no responsibility to identify frauds	Agree	Audit Manager	July 2018
S3	Give auditors responsibility for developing audit briefs, to be reviewed and signed off by the Audit Manager	Acknowledge and will trial a change to working practices, with delegation to auditors and mentoring of trainee	Audit Manager	April 2018
S4	Involve others from the authority who have knowledge of audit (Audit Committee members, s151, etc) in QAIP reviews occasionally	Acknowledge and will seek to build on current practice of end of audit questionnaires CLT and the Chief Executive already review reports and the Internal Audit Service	Audit Manager/S151 Officer	2018
S5	Discuss different forms of opinion with CLT and the Audit Committee	To be reviewed and best practice identified.	Audit Manager/S151 Officer	2018
S6	Set and monitor targets for issuing draft and final audit reports	Process already in place as part of the service auditees can expect, but will look to formalise in reports to Audit Committee.	Audit Manager	2018
S7	Consider including risk matters that have a broader relevance in staff bulletins	Acknowledge and will review	Audit Manager	2018
S8	Change the reporting of risks in reports to match the format used in risk registers, making it easier to include that information	Acknowledged and commenced with 18-19 Plan and Audit Briefs and final reports being issued for 17-18	Audit Manager	April 2018
S9	Include details of the follow-up process for both audits and commissioned work in the audit manual and in audit reports, for example, as a footer to the action plan	There is a process already in place as part of the service auditees can expect, and there is also a document to support this in the audit manual.	Audit Manager	April 2018

**Appendix 2: interviewees**

<b>Person</b>	<b>Position</b>
Cheryl Ellerton	Audit Manager
Cath Greenwood	Auditor
Cllr Anne Hingley	Chair, Audit Committee
Sharon Hudson	Senior Auditor
Ian Miller	Chief Executive
Richard Percival	Manager, Grant Thornton
Mike Saunders	Electoral Services Manager
Tracey Southall	Corporate Director: Resources
Matthew Wooldridge	Trainee Auditor
Lucy Wright	Revenues, Benefits and Customer Services Manager

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**30<sup>TH</sup> MAY 2018****INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2017/18**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Councillor Nathan Desmond
<b>RESPONSIBLE OFFICER</b>	Tracey Southall, Extension 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 - Internal Audit Annual Assurance Report – 2017/18

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Annual Assurance Report for 2017/18

**2. RECOMMENDATIONS**

- 2.1 **The Audit Committee is asked to APPROVE the Internal Audit Annual Assurance report for 2017/18 attached as Appendix 1.**

**3. BACKGROUND**

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

The definition of Internal Audit as described in the Public Sector Internal Audit Standards is:

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes"

- 3.2 In accordance with the UK Public Sector Internal Audit Standards {PSIAS}, the Audit Committee are required to receive an annual report on the work of the Internal Audit Service. In addition, the Internal Audit Charter requires that the Section 151 Officer in consultation with the Audit Manager, prepare an Annual report to the Audit Committee to:-

- include an opinion on the overall adequacy and effectiveness of the Council's internal control environment

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- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work undertaken to formulate the opinion
- draw attention to any issues judged to be particularly relevant to the preparation of the statement on internal control
- compare the work actually undertaken with the work that was planned
- comment on compliance of the Internal Audit Team with the UK Public Sector Internal Audit Standards.

3.3 The opinion is a personal opinion of the Audit Manager to the Section 151 Officer on the overall adequacy and effectiveness of the Council's internal control environment. The system of internal control is designed to help the Council manage and control risks, which could effect the achievement of the Council's objectives and one of the key elements used in the Annual Governance Statement.

3.4 In the giving of this opinion, it should be noted that assurance cannot be absolute in that Internal Audit can only provide for "reasonable" assurance that the systems of internal control processes in those areas subject to review are operating effectively.

### **4. KEY ISSUES**

4.1 It is a statutory requirement that this Council has an Internal Audit service as part of its Corporate Governance framework.

4.2 An Annual Governance Statement is required to be published with the Council's Annual Statement of Accounts which is required to be signed by the Leader of the Council and the Chief Executive. The Internal Audit Annual Assurance report contributes to the evidence necessary in order for this statement to be prepared.

4.3 The Accounts and Audit Regulations 2015 require the Council to conduct a review to ensure that it has a sound system of internal control. The Internal Audit Annual Assurance Report provides evidence in respect of this requirement.

4.4 Internal Audit make recommendations to management to improve the internal control environment of the system being reviewed. It is management's responsibility to develop and maintain the internal control systems and take the necessary action to implement agreed recommendations included in final internal audit reports.

4.5 The approved Internal Audit Charter requires that an annual report is prepared covering the items detailed in paragraph 3.2 and this is attached as Appendix 1.

4.6 The aim of most audit reports is to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment. The levels of assurance arising from the internal audit reviews for 2017/18 together with those of the previous year are as follows:



		KEY SYSTEMS Assurance Level			SUBSIDIARY SYSTEMS Assurance Level			TOTAL
		Full	Some	Limited	Full	Some	Limited	
2017~18	Number	14	12	0	0	1	0	27
2016~17	Number	15	13	0	3	0	0	31

- 4.7 The results of this table give an overall perspective only, it should be noted that some audit reviews of both key and subsidiary systems can range from a very large and complicated system to a very straightforward one.
- 4.8 During 2017/18 Internal Audit have sought to further progress work with all service areas and to provide advice and assistance on the implementation of recommendations and action. As a result, measures have been put into place to facilitate a more timely proactive approach to improving systems and it is fair to conclude that there has been continued improvement in control which has been enhanced by the introduction of Action Plans/Progress Reports issued during the course of audit reviews. The aim of the Action Plans/Progress Reports has been to enable Managers to react to observations with prompt remedial action which can be evidenced during the audit review and lead to an improved final audit assessment. This collaborative approach has enabled Managers to actively work with the Internal Audit Team to improve the control environment.
- 4.9 The annual report in Appendix 1 also covers a review of the effectiveness of Internal Audit required by the Accounts and Audit Regulations 2015. The UK Public Sector Internal Audit Standards provide for a consistent internal audit framework for the whole of the public sector.
- 4.10 The UK Public Sector Internal Audit Standards were formally adopted by the Audit Committee in December 2013. The standards promote further improvement in the professionalism, quality and effectiveness of Internal Audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Management with the assurance they need. The Internal Audit Team work in consideration of the Standards as reported to the Audit Committee in June 2014 following a self-assessment against the standards, and the mandatory external assessment which has now been completed and is reported separately on this agenda.
- 4.11 The review of Internal Audit effectiveness is not about process. The focus of the review is in respect of the delivery of the Internal Audit Service to the required standard, in order to produce a reliable assurance on internal control in operation in the council's practices and procedures. In essence, the need for the review is to ensure that the opinion given in Appendix 1 may be relied upon as a key source of evidence for the annual review of internal control.
- 4.12 In accordance with the UK Public Sector Internal Audit Standards, an external assessment of the Internal Audit Service was commissioned in February 2018, the results of which have been reported to the Audit Committee 30<sup>th</sup> May 2018. The review identified no areas of non-compliance with the standards that would affect the operation of the Council's internal audit function. The review did identify some recommendations to further develop the audit service along with some

recommendations to progress towards full compliance with the standards. The review also identified some constructive suggestions for progression of the internal audit function in line with best practice. These recommendations will form the Quality Assurance Improvement Programme {QAIP} as required by the UK PSIAS with outcomes reported to the Audit Committee.

**5. FINANCIAL IMPLICATIONS**

There are no financial implications arising directly from this report.

**6. LEGAL AND POLICY IMPLICATIONS**

6.1 The Accounts and Audit Regulations 2015 regulation 3 {Responsibility for Internal Control} requires that:-

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

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

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

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

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

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

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

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

“Prepare an annual governance statement”

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

**7. RISK MANAGEMENT**

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

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

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Sector Internal Audit Standards ensures the Council continues to comply with best practice and mitigates risk accordingly

- 7.3 This report summarises the work undertaken by the Internal Audit Section for the 2017/18 financial year and is reviewed by the External Auditors as part of their financial audit and provide an opinion on the Internal Audit Service as a contribution to the Council's internal control environment. The annual report has been provided in accordance with the Internal Audit Section's approved Charter.
- 7.4 Corporate Risk Management forms part of the Council's processes as reported to this committee on 27<sup>th</sup> November and 19<sup>th</sup> March 2018. This assists with the maintenance and development of the council's internal control environment.

### **8. EQUALITY IMPACT NEEDS ASSESSMENT**

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

### **9. CONCLUSIONS**

- 9.1 The Annual Report - 2017/18 provides an opinion from the Audit Manager, endorsed by the Section 151 Officer, on the adequacy and effectiveness of the Council's internal control environment arising from the completion of Internal Audit reviews.
- 9.2 This opinion is based on the work undertaken by the Internal Audit Section in accordance with the approved Annual Audit Plan for 2017/18. This report is presented to members in accordance with the Internal Audit Charter as approved by the Audit Committee.
- 9.3 Overall, it has been concluded that the reasonable assurance can be given on the internal control environment which continued to improve during 2017/18.
- 9.4 A review of the effectiveness of internal audit for the financial year 2017/18 has been undertaken in accordance with current guidelines.

### **10. CONSULTEES**

- 10.1 Corporate Leadership Team  
10.2 Cabinet Member for Resources

### **11. BACKGROUND PAPERS**

- 11.1 Accounts and Audit Regulations 2015 (SI 234)  
30<sup>th</sup> May 2018 ~ Audit Committee ~ External Assessment  
20<sup>th</sup> March 2017 ~ Audit Committee ~ Internal Audit Annual Audit Plan 2017/18  
28<sup>th</sup> November 2016 ~ Audit Committee ~ Internal Audit Charter  
30<sup>th</sup> June 2014 ~ Audit Committee ~ Self-Assessment: Compliance with the UK Public Sector Internal Audit Standards

**WYRE FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT ANNUAL ASSURANCE REPORT – 2017/18**

**Internal Control Environment**

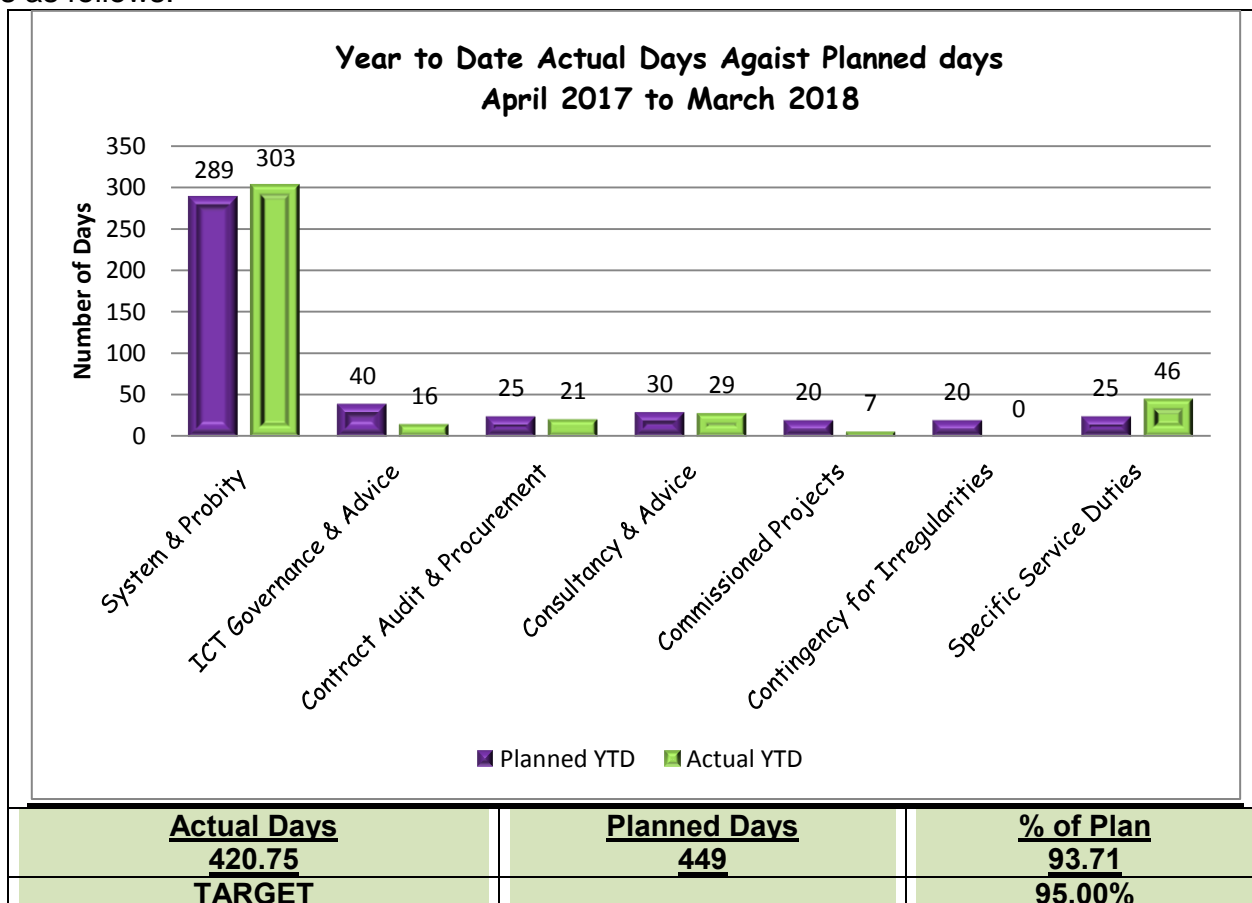
The Council’s Financial Procedure Rules (Financial Regulations) state that it is the responsibility of Service Managers to ensure that there are controls in place for every system under their management. These internal controls include those to prevent and detect fraud in accordance with the Council’s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

The work of the Internal Audit Section relating to the financial year ended 31<sup>st</sup> March 2018 has been undertaken in accordance with the approved Audit plan 2017/18. The work undertaken has met the requirements of the Council’s External Auditors and is in consideration of the UK Public Sector Internal Audit Standards.

The results of this work have been reported to the Audit Committee in quarterly reports on the 31<sup>st</sup> July and 27<sup>th</sup> November 2017, 19<sup>th</sup> March and 30<sup>th</sup> May 2018. These reports include a summary of the work undertaken in each quarter.

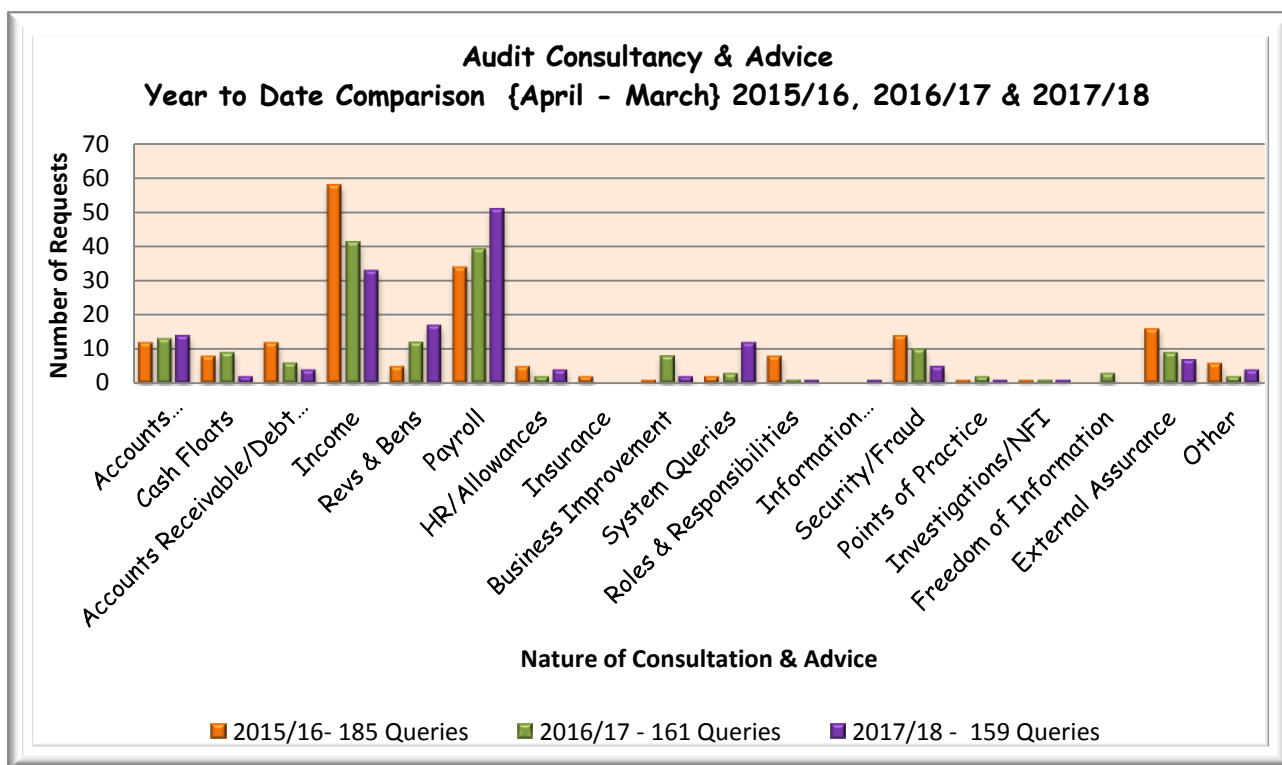
The internal control weaknesses identified from final and draft reports relating to the 2017/18 financial year have been considered in the preparation of this annual report. Where control weaknesses were identified, Management action plans are in place and are subject to ongoing review.

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



**Agenda Item No. 7  
Appendix 1**

Consultancy, advice and irregularity work are demand led activities, and do fluctuate each year. Utilisation of Internal Audit advice throughout the year ensures that appropriate controls are incorporated at an early stage of planning new or changing current systems and processes. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During 2017/18, the Internal Audit Team have continued to provide a consultancy and advice service to colleagues as required.



**Internal Control Opinion**

From the work undertaken by internal audit for the 2017/18 financial year it is the opinion of the Audit Manager, that the Council’s internal control environment and systems of internal control as at 31<sup>st</sup> March 2018 provide reasonable assurance over key business processes and financial systems.

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

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

- The Council adopted the current CIPFA/SOLACE Corporate Governance Framework. Subsequently the implementation has been subject to reviews as considered by the Audit Committee following the recognition of the Framework as “proper practices” status by the Department for Communities and Local Government. The review of the framework is further supported additional reports to the Audit Committee following self-assessments against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and Role of the Head of Internal Audit in Public Sector Organisations (2011).
- The findings and recommendations of the External Auditors reported to the Audit Committee on 27<sup>th</sup> November 2017 as part of the 2016/17 financial audit, along with an independent review of the Council’s arrangements for securing financial resilience moving forward.

### **Statement of Organisational Independence**

The UK Public Sector Internal Audit Standards require a statement to confirm the independence of the internal audit activity. The organisational independence of the Audit Manager can be confirmed by the following:-

- Reports to the Corporate Director: Resources as a member of the Corporate Leadership Team;
- Reports functionally to the Audit Committee and has unrestricted access to the Audit Committee;
- Has unrestricted access to Senior Management;
- Has no further management responsibilities.
- Has no constraints on proposing actions for improvement or forming opinions on individual reports issued.

### **Review of the effectiveness of the system of internal audit**

Work has been undertaken in accordance with the approved Internal Audit plan for 2017/18 and 93.71% of this plan has been completed by April 2018. Internal Audit reports have been reported to members of the Council's Corporate Leadership Team and the Audit Committee.

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

The work of the Internal Audit section is undertaken in accordance with recognised practices and standards and procedures are continually reviewed and refined in order to ensure compliance. This was evidenced with a report to the Audit Committee on 30<sup>th</sup> June 2014 detailing the self-assessment of the Internal Audit Team against the UK Public Sector Internal Audit Standards as adopted in 2013, and the outcome of the External Assessment commissioned in February 2018, which is a requirement of the new Standards.

The External Auditors review the files and reports of the Internal Audit Team as part of their interim and final audit. An assessment is made by the External Auditors on internal audit's overall arrangements as a contribution to the internal control environment and governance arrangements within the Council. For 2017/18 External Audit concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that the Internal Audit work contributes to an effective internal control environment for the Council.

As in previous years, the outcomes highlighted that the Internal Audit Team is continuing to work well with their customers, being approachable and able to support employees. The core structure of the Internal Audit Team changed during 2017/18 following the retirement of a long-standing member of the team. The opportunity arose to revisit the structure of the team and the Internal Audit Apprentice {in post since October 2015} secured a new post of Trainee Internal Auditor to ensure continuity of service delivery and meet business need.

During 2017/18, support has been provided by the Internal Audit Team to the Garage & Depot interventions as part of the Wyre Forest Forward Programme to provide for continuous improvement and supporting the income generation initiatives.

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

**Information Communications Technology (ICT) Governance, Advice & Assistance**

- Attend the ICT Strategy Board Meetings;
- Attend the ICT Security Group;
- Assist the Data and Project Management 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 construction of the New Leisure Centre.
- Monitoring of the contract payments for the new car park facilities aligned to the Leisure Centre
- Monitoring of the Load Street Car Park refurbishment Bewdley

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

***Cheryl Ellerton***  
***Audit Manager***

***Tracey Southall***  
***Section 151 Officer***

3<sup>rd</sup> May 2018

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**WEDNESDAY 30th MAY 2018****ANNUAL GOVERNANCE STATEMENT**

<b>CABINET MEMBER</b>	Councillor Nathan Desmond
<b>DIRECTOR</b>	Corporate Director: Resources Ext 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Annual Governance Statement 2017/18

**1. PURPOSE OF REPORT**

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

**2. RECOMMENDATION**

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

**The Annual Governance Statement attached at Appendix 1.**

**3. BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 The Audit Committee approved the adoption of the CIPFA/SOLACE code at the meeting on the 17 March 2008 and the subsequent annual reviews on the implementation, the latest one being 19<sup>th</sup> March 2018.
- 3.4 For the 2017/18 Annual Governance Statement it is proposed to use existing processes in relation to the review of the control system, collation of information and compilation and monitoring of the Annual Governance Statement.



**4. KEY ISSUES**

4.1 In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:

- Internal Audit reports, following the annual assurance report from the Audit Manager, endorsed by the S151 Officer,
- External Audit reports;
- Assurance Statements completed by senior staff;
- Corporate Risk Register;
- External Inspection findings including;
- Other relevant information.

4.2 The Annual Governance Statement is presented to the Audit Committee for approval, prior to the signing by the Chief Executive and the Leader of the Council.

4.3 The draft Annual Governance Statement for 2017/18 is shown at Appendix 1; this document has been prepared in line with the CIPFA/SOLACE guidance.

**5. FINANCIAL IMPLICATIONS**

5.1 There are no financial implications relating to this report.

**6. LEGAL & POLICY IMPLICATIONS**

6.1 It is a requirement under the Accounts and Audit Regulations 2015 that the Council prepares an Annual Governance Statement.

**7. RISK MANAGEMENT**

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

**8. CONCLUSION**

8.1 The Council is required to complete an Annual Governance Statement which is required to:

- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement
- Consider the robustness of the Authority's governance arrangements
- Monitor any actions arising from the review of arrangements.

8.2 The statement is submitted to the Audit Committee for approval on 30<sup>th</sup> May 2018.

**9. CONSULTEES**

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

**10. BACKGROUND PAPERS**

- 10.1 Accounts and Audit Regulations 2015 (SI No.234)
- 10.2 Delivering Good Governance in Local Government CIPFA/SOLACE.
- 10.3 UK Public Sector Internal Audit Standards April 2013 {Updated 2016}
- 10.4 Audit Committee Reports 19<sup>th</sup> March 2018

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18**

**What is the annual governance statement?**

Legislation requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Wyre Forest District Council's governance framework for 2017-18 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas over the coming year.

**What do we mean by governance?**

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

**Scope of responsibility**

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

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

Wyre Forest District Council has adopted the code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework; *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.wyreforestdc.gov.uk](http://www.wyreforestdc.gov.uk) or can be obtained from The Worcestershire Hub at Wyre Forest Customer Services Centre, Town Hall, Kidderminster DY10 1DB. This statement explains how Wyre Forest District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

**The governance framework**

This is defined as 'the systems by which local authorities direct and control their functions and relate to their communities'. The governance framework encompasses the Council's financial management arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (Corporate Director: Resources as S151 Officer for this Council) in Local Government; the governance arrangements also conform to the requirements of the CIPFA Statement on the role of the Head of Internal Audit in public service organisations.

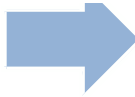
The key elements of the Council's systems and processes that comprise the authority's governance arrangements are included in the Council's Constitution which is reviewed and updated throughout the year. The following diagram shows core principles and how they are delivered within the robust framework at Wyre Forest

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

**GOVERNANCE PRINCIPLES**

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



**REVIEW**  
Monitor & enhance progress

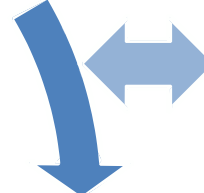
**DEFINE**  
challenges & risks

**IDENTIFY**  
compliance gaps

**GOVERNANCE FRAMEWORK**  
Risk  
Management  
Compliance  
Governance

**REPORT**  
communicate & implement findings

**RECOMMEND**  
best fit actions



**INTERNAL CONTROLS**

**Leadership, Culture and Planning**

Organisational goals and priorities  
Strategic and operational plans  
Performance management  
Medium term financial strategy

**Statutory Officers & Decision Making**

The Constitution  
The Monitoring Officer  
Section 151 Officer

**Policies & Procedures**

Codes of conduct  
Ways of working  
Anti-fraud, Bribery and Corruption Policy  
*Whistleblowing Policy*  
HR Policies and procedures  
Corporate Communications and Engagement Programme

**People, Knowledge, Finance, Assets**

Robust HR practices  
Information governance  
Performance monitoring and improvement  
Financial management and reporting  
Ethical & legal practices

**Scrutiny and Transparency**

Freedom of Information requests  
Complaints procedure  
Reports considered by legal and finance  
Overview and Scrutiny Committee  
Equality impact assessments  
Corporate risk directory  
Transparency duty publication

**Partnership Working**

'Love to get involved'  
'Let us know'  
Consultations  
Community Localism fund

The governance framework has been in place at Wyre Forest District Council for the year ended 31<sup>st</sup> March 2018 and up to the date of approval of the statement of accounts.

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

**Delivery**

The Council delivers these outcomes through:

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

**Review of effectiveness**

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

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

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the External Auditors and other review agencies and inspectorates;
- Audit Committee review of current arrangements against best practice, including consideration of progress against issues identified in the Annual Governance Statement, see agenda item 11 of the Audit Committee Agenda 19<sup>th</sup> March 2018 on our website at [http://www.wyreforest.gov.uk/council/docs/doc52944\\_20180319\\_audit\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc52944_20180319_audit_agenda.pdf)

Regular reviews are carried out by the Corporate Leadership Team, including during March and again in April 2018. These reviews take into account:

- the Internal Audit Annual Assurance report from the Audit Manager for 2017-18, in consultation with the S151 Officer;
- comments of other review agencies, inspectorates and external bodies, including LGA Peer Review;
- the Audit Findings report of the External Auditor's was reported to the Audit Committee on 31<sup>st</sup> July 2017 and the Annual Audit Letter including key messages on the 27<sup>th</sup> November 2017.

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

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

- Head of the Paid Service (Chief Executive)
- Monitoring Officer (Solicitor to the Council)
- Section 151 Officer (Corporate Director: Resources)

The constitution is under constant review, to ensure that it remains fit for purpose; May 2018 Council approved a number of updates, one being an amendment to the membership of the Audit Committee to include an Independent Person as a pilot for 2018-19. These regular updates ensure it remains up to date for the Accounts and Audit Regulations 2015 and reflects the drive for channel shift, increased impetus for income generation, commerciality and increasing range of alternative service delivery models to meet the ongoing challenges of Local Government Finance reform.

The Audit Committee is the Member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters. The Audit Committee also regularly considers the recommendations from Internal Audit. Progress against the External Auditor's key messages included in the Annual Audit Letter as reported to the Audit Committee on 27<sup>th</sup> November 2017 was considered at its meeting on the 19<sup>th</sup> March 2018 as part of the Annual Governance Statement and Corporate Risk Register Reviews. The extended membership of the Audit Committee to include an Independent Person as a non-voting member for a trial during 2018-19 should provide an injection of an external view and bring a new perspective and flavour to the Committee.

The Council's Corporate Director: Resources as Chief Financial Officer has overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all of the Council's systems and produce reports containing recommendations for improvement wherever necessary, in line with the 2017-18 Annual Audit Plan.

The Council's Internal Audit team works with consideration to the UK Public Sector Internal Audit Standards. The service has also adopted an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards that was updated at the November 2016 Audit Committee meeting. A number of other internal and external reports considered the challenges around governance, including the CIPFA delivering good governance in Local Government framework 2016 reports to ensure all appropriate controls and updates are in place across the Council discussed at the March 2017 meeting. The November 2017 Audit Committee received a report on the progression of the mandatory Internal Audit Service external assessment as required by the Standards. The appointment of Tilia Solutions was noted and the resultant review reported to the May 30<sup>th</sup> 2018 meeting. The review was positive overall, with a number of recommendations/action points that are currently being progressed by the Audit Manager to increase compliance with the Standards. An update on counter fraud arrangements for 2017-18 was also received at the November 2017 meeting.

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

External audit reports are reviewed and considered by the Audit Committee and the Council's Corporate Leadership Team. The Council's External Auditors, Grant Thornton take a proactive approach to Member involvement and actively engage Members at Audit Committee with their Update Reports being of particular interest. In addition to this, the Council is also subject to formal review by government inspectorates and was the subject of a LGA Peer Review in March 2017 that considered financial planning and viability in detail. Feedback from this independent process was positive and the constructive key recommendations to the Council informed the 2016-17 Annual Governance Statement with ongoing issues identified also included in the 2017-18 Action Plan. The follow-up Peer Review visit is planned for the second half of 2018.

The results of the review of the effectiveness of the governance framework by the Audit Committee have been identified, and a plan to address weaknesses and ensure continuous improvement of systems is shown in the table that follows:

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

**Significant Governance Issues for 2017-18**

Wyre Forest District Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2016-17 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	Continue to maintain financial resilience by securing approval of a Medium Term Financial Strategy with a fully balanced budget, taking into account the ongoing challenges of the impact of continuing austerity measures, noting the impact of the progression of "Brexit" and global economy volatility.	AGS 2016-17 as highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	<p>a) To continue to actively participate in and understand/model the impact of the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform.</p> <p>b) Further work around income generation, commercialisation and expenditure reductions. Further develop and evolve the Financial Strategy to include: -potential for large scale service redesign, alternative delivery and service providers, digitalisation and demand management - a review of the impact of the revised approach to underspends and reserves so that base budget and forecasting are as accurate as possible;</p> <p>c) Continue to develop thinking about the Council's future role and purpose post 2020. Detailed work to refresh the Corporate Plan to be undertaken during later part of 2018-19 with formal Council approval at July 2019 Council. This will ensure continued realignment to the Financial Strategy and future operating model so there is cohesive and compelling narrative about what the Council is striving to achieve and how it will deliver its priorities, including the ways by which it will remain financially viable, and the further organisational transformation required.</p>	<p>a)/b) Balanced Medium Term Financial Strategy (MTFS) for 2019-22 with developed proposals for significant savings/cost reductions to close the increased funding gap from 2018-19.</p> <p>b)Proposals for savings as part of MTFS 2019-22</p> <p>b)More accurate budget monitoring reports to reduce large unexpected variances at year end</p> <p>c)MTFS 2019-22</p>	Corporate Director: Resources, Chief Executive and whole Corporate Leadership team	<p>December 2018 to February 2019</p> <p>c) July 2019 Council for formal approval of refreshed Corporate Plan</p>



**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

<b>Ref</b>	<b>Governance issue</b>	<b>Source</b>	<b>Actions to address the issue</b>	<b>Measures of success</b>	<b>Lead/s</b>	<b>Timescale</b>
<b>2</b>	Continue with the initiatives and innovation to achieve income generation and cost savings, including a refresh of the Wyre Forest Forward Programme and robust monitoring with the opportunity to challenge as appropriate, against savings plans, to meet the increased targets from 2018-19.	AGS 2016-17. Highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	<p>Continue with the initiatives and innovation to achieve income generation and cost savings, including a refresh of the Wyre Forest Forward Programme and robust monitoring with the opportunity to challenge as appropriate, against savings plans, to meet the increased targets from 2018-19.</p> <p>CLT to update 'Plan on a Page' to refresh the Wyre Forest Forward Programme.</p> <p>Adopt Commercial Strategy for 2018-23. Use Commercial Activity Programme Activity Board to consider business case proposals for new commercial activity and allocate resources from £250k Capital pot</p>	<p>Income targets included in MTFS are exceeded</p> <p>Refreshed Wyre Forest Forward Programme</p> <p>Increased Commercial Activity</p>	<p>Corporate Director of Community Well-Being and Environment supported by the Leadership team</p> <p>Leadership Team</p> <p>Corporate Director of Community Well-Being and Environment supported by the Leadership team</p>	<p>Quarterly Progress check</p> <p>CLT Meeting in May/June 2018</p> <p>End of 2018-19</p>
<b>3</b>	To progress the implementation of the new policies for the Development Loans Fund of £10m and Capital Portfolio Fund of £25m. To clarify the intended impact of these £35million investment policies the Financial Strategy and the Corporate Plan priority to deliver a successful local economy as part of this work;	AGS 2016-17 MTFS 2017-20, endorsed by Peer Review	<p>a) Implement revised Capital Portfolio Fund Strategy as approved by May 2018 Council by making proposals for suitable investment opportunities and secure approval and implementation/acquisitions.</p> <p>b) Finalise arrangements for external Fund Management of Development Loans Fund policy</p>	<p>a) Implementation of approved proposals/acquisition of portfolio assets that secure net income streams as revised</p> <p>b) Fund Managers appointed and Development Loans Fund Policy implemented, Loans approved.</p>	<p>CLT - Corporate Director of Economic Prosperity and Place, Corporate Director: Resources, Property Investment Manager</p>	<p>a) Some acquisitions secured by end March 2019</p> <p>b) By end June 2018</p>

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

Re	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	Focus on emerging Information governance issues and non-benefit fraud utilising the Compliance Officer and Corporate Fraud Officer and separate Corporate Debt Recovery resources. Performance and impact of these resources to continue to be closely monitored and reported.	Annual Governance Statement 2016-17 and MTFS 2017-20	<p>a) Information Governance Group to continue to meet regularly to progress actions</p> <p>b) Compliance Officers within the Revenues &amp; Benefits Section in post since March 2015. They are responsible for protecting and increasing the tax base through regular monitoring and reviewing council tax discounts and exemptions to ensure they are legitimately claimed. To review the decision last year to invest in more staff for council tax and business rates recovery jointly funded by Worcestershire County Council to maximise Council Tax Income.</p> <p>c) Review revised arrangements for delivery of Corporate Fraud Investigator/Corporate Debt Recovery</p>	<p>a) Implementation timetable achieved</p> <p>b) Income collected in terms of £s and % recovery rates</p> <p>c) Reports to Audit Committee will assess success of Corporate Fraud service</p>	<p>Chief Executive, Corporate Director: Resources Revenues, Benefits &amp; Customer Services Manager</p> <p>c) Corporate Director: Resources/Audit Manager</p>	<p>a)Ongoing consideration via Information Governance Group</p> <p>b)Monthly reporting of collections rates/amounts and half-yearly review of impact of extra resource for collection</p> <p>c) July Audit Committee for Fraud Update report</p>

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may sign up to as part of its pursuit of innovative alternative service delivery solutions to unlock funding opportunities and generate revenue income streams. This includes Public Sector Partnership Wyre Forest LLP set up on the 22 <sup>nd</sup> March 2017 and the approved Group structure for a Local Authority Trading Company (LATC), localism, joint operations and potentially devolution and combined authorities	Annual Governance Statement 2016-17 and MTFS 2015-16	<p>a) Ensure new partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust</p> <p>b) Ensure arrangements for traded services and arms-length organisations are fit for purpose</p> <p>c) Progress work with PSP Wyre Forest LLP by allocating sites/projects within the district for this new partnership arrangement to explore</p> <p>d) Further investigation of various structures for different arrangements, including utilisation and or expansion of the Group Structure of the approved LATC</p>	<p>a)/b)Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet</p> <p>c)That work with PSP Wyre Forest LLP commences and delivers some tangible outcomes</p> <p>d) Reports prepared for proposals for alternative service delivery models</p>	CLT – Corporate Director of Economic Prosperity and Place author of Property LATC report, designated officers for PSP	<p>a)/b)Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2018-19</p> <p>c)PSP utilised by end of 2018-19</p> <p>d) LATC Group Structure utilised as appropriate</p>

**WYRE FOREST DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

<b>Ref</b>	<b>Governance issue</b>	<b>Source</b>	<b>Actions to address the issue</b>	<b>Measures of success</b>	<b>Lead/s</b>	<b>Timescale</b>
<b>6</b>	Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats; Progression of new ICT Strategy Capital Allocation of £1.757m; GDPR –compliance	Corporate Risk Register and ICT Strategy Board;  MTFS 2018-2021  GDPR Legislation - effective date 25 <sup>th</sup> May 2018	Quarterly review of network security  ICT Strategy Board approvals  Review of compliance by Information Governance Board	PSN compliance, secure network;  Timetable proceeds to timetable  Review evidenced compliance	ICT Manager/ Corporate Director: Resources  Data Controller	Ongoing reports to ICT Strategy Board, Information Governance Board, Cabinet Members and Group Leaders
<b>7</b>	Wider communication of priorities and purposes and also further development of the approach to consultation, engagement and involvement of communities and stakeholders	LGA Peer Review Annual Governance Statement 2016-17	Results of Focus Groups to discuss Council and values, priorities and purposes to be discussed with CLT and incorporated in the new Corporate Plan.  To trial the use of the new consultation template and prepare a marketing plan of actions.	Survey results included in new Corporate Plan.  Improved consultation responses LGA Peer Review visit in later part of 2018	Chief Executive/CLT Cultural Services Manager/Media Team to prepare proposals	By February 2019

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2016-17**

**ANNUAL GOVERNANCE STATEMENT 2017-18 (continued)**

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

Ian R Miller  
Chief Executive

Marcus J Hart  
Leader of the Council

30<sup>th</sup> May 2018



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Chief Financial Officer  
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29 March 2018

Dear Tracey

**Wyre Forest District Council: Planned audit fee for 2018/19**

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

**Scale fee**

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £37,681.

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

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

**Scope of the audit fee**

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

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

**Value for Money conclusion**

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

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

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

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

**Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2018	9,420
December 2018	9,420
March 2019	9,420
June 2019	9,421
<b>Total</b>	<b>37,681</b>

**Outline audit timetable**

We will undertake our audit planning and interim audit procedures in October to March 2019. On completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July 2019 and work on the whole of government accounts return in August 2019.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	October 2018 to January 2019 - planning  January to March – 2019 interim	Audit plan  Update report	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM. We will provide an update on our interim work and early substantive testing in our progress report.
Final accounts audit	June to July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

**Our team**

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Richard Percival	0117 232 5434	richard.d.percival@uk.gt.com
Engagement Manager	Zoe Thomas	0121 232 5277	zoe.thomas@uk.gt.com
In Charge Auditor	Manthos Bournazos	0121 232 5424	manthos.bournazos@uk.gt.com

**Additional work**

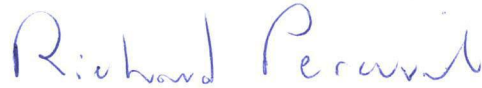
The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.



**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com).

Yours sincerely



Richard Percival  
Engagement Lead  
For Grant Thornton UK LLP