

Open

Audit Committee

Agenda

6pm
Monday, 30th July 2018
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor H S Williams
Vice-Chairman: Councillor T L Onslow

Councillor N Harris
Councillor A Totty

Councillor K Henderson
Councillor G Webster

Information for Members of the Public:

Part I of the Agenda includes items for discussion in public. You have the right to request to inspect copies of Minutes and reports on this Agenda as well as the background documents used in the preparation of these reports.

Part II of the Agenda (if applicable) deals with items of "Exempt Information" for which it is anticipated that the public may be excluded from the meeting and neither reports nor background papers are open to public inspection.

Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of this constitution for full details.

Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Rhiannon Foxall, Business Improvement Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732786 or email rhiannon.foxall@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Monday, 30th July 2018

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 30th May 2018.	5
5.	Audit Finding Report for Wyre Forest District Council – 2017/18 Accounts To receive a report from Grant Thornton detailing the findings of the audit of accounts for 2017/18. The results of the audit presented in this report are subject to final confirmation by Grant Thornton.	9
6.	Statement of Accounts To receive a report from the Chief Financial Officer/Principal Accountant on the Statement of Accounts 2017/18.	32
7.	Internal Audit Monitoring Report Quarter Ended 30th June 2018 To receive a report for the Audit Manager which informs Members of the Internal Monitoring Report for the quarter ended 30 th June 2018.	48

8.	<p>Public Sector Internal Audit Standards – Internal Audit Charter</p> <p>To receive a report from the Audit Manager which informs Members of the updates to the Internal Audit Charter.</p>	61
9.	<p>Update on the Counter Fraud Arrangements</p> <p>To receive an update from the Audit Manager/Section 151 Manager on the current Counter Fraud Arrangements as at 30th June 2018.</p>	79
10.	<p>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
11.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

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

AUDIT COMMITTEE

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

30TH MAY 2018 (6PM)

Present:

Councillors: H S Williams (Chairman), T L Onslow (Vice-Chairman), N Harris, K Henderson, A Totty and G Webster.

Observers:

Councillors: N J Desmond and J A Shaw.

AUD.1 Apologies for Absence

There were no apologies for absence.

AUD.2 Appointment of Substitutes

There were no appointment of substitutes.

AUD.3 Declarations of Interests by Members

No declarations of interest were made.

AUD.4 Minutes

Agreed: The minutes of the meeting held on 19th March 2018 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.5 Internal Audit Monitoring Report Quarter Ended 31st March 2018

The Committee considered a report from the Audit Manager which informed Members of the Internal Audit Monitoring Report for the quarter ended 31st March 2018.

Councillor N J Desmond entered the meeting at this point, (6.05pm).

The Audit Manager outlined the contents of the report, which included details of internal audit reports issued in the quarter together with follow up reviews. A discussion ensued and in response to a Member's question, the Audit Manager confirmed that 20 contingency days had been factored into the Audit Plan. The contingency days were there to allow the team to deal with any ad-hoc queries which arose during the year and gave a degree of flexibility if additional unforeseen work was required on planned internal audits.

Agreed: The Internal Audit Monitoring Report for the Quarter ended 31st March 2018 as detailed in the Appendix to the report be noted.

AUD.6 Outcome of the External Quality Assessment for the Internal Audit Service

The Committee received 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.

The Corporate Director: Resources advised Members that this was the first report of its kind to be presented to the Committee. The review of the service was a mandatory requirement under the Standards which stipulated that an external assessment of the service be conducted once every 5 years by a qualified independent assessor or assessment team. The Council adopted the standards from April 2013, therefore the review had to be undertaken by 31st March 2018. She added that overall the outcome of the assessment was very positive and the implementation of the agreed recommendations would ensure that the service remained compliant and followed best practice.

The Audit Manager outlined the contents of the final report which detailed the methodology used and included a summary of the findings, the recommendations and an action plan. The Audit Manager was happy to advise that no areas of non-compliance with the Standards had been identified that would impact on the operation of the Internal Audit function. She assured Members that a pro-active approach would continue to be taken in relation to the on-going improvement of the service she and her team delivered.

A discussion ensued and a Member questioned if it was cause for concern that there had been no reviews undertaken into the effectiveness of the Audit Committee. The Corporate Director: Resources said this was merely an observation point in the review and it may be an area to look at in the future. The Chairman said that at its meeting on 23rd May 2018, Council agreed to appoint an Independent Person to the Audit Committee as a pilot for 2018/19. The Independent Person would be a non-voting Member, and have the relevant expertise to support the Committee with its governance role.

Agreed: The outcome of the external assessment of Internal Audit by Tilia Solutions and the supporting action plan for future implementation be noted.

AUD.7 Internal Audit Annual Assurance Report 2017/18

The Committee received a report from the Audit Manager which sought approval of the Internal Audit Annual Assurance Report for 2017/18. The Corporate Director: Resources advised Members that the report would feed into the Annual Governance Statement which was published as part of the Statement of Accounts. She said that she agreed with the assurance given by the Audit Manager.

The Audit Manager led Members through the report and advised that it was her personal opinion that reasonable assurance could be given on the effectiveness of the Council's internal control environment.

The Audit Manager advised that the annual assurance report had also been revised in line with the external assessment of the internal audit service to clearly define the organisational independence of the Audit Manager.

Agreed: The Internal Audit Annual Assurance report for 2017/18 attached as Appendix 1 of the report be approved.

AUD.8 Annual Governance Statement 2017/18

The Committee received a report from the Corporate Director: Resources which sought approval of the Annual Governance Statement and Annual Governance Action Plan 2017/18 for inclusion in the Statement of Accounts.

The Corporate Director: Resources led Members through the report which presented the current position in relation to the action plan which had been developed to address the significant governance issues identified for 2017/18.

Members considered each of the seven issues in turn. The Corporate Director: Resources advised that a lot of due diligence work had been undertaken in relation to the implementation of the new policies for the £10m Development Loans Fund and £25m Capital Portfolio Fund, she was confident that all necessary processes and governance arrangements were in place for the authority to utilise the money throughout the year effectively.

In response to a Member's question relating to Information Governance (IG) Group, the Corporate Director: Resources confirmed that the IG Working Group met every quarter. She added that the Council's insurers, Zurich Municipal, had undertaken a review into IG and the group were currently working through the series of recommendations which Zurich had made.

A Member suggested that it would be appropriate for the Audit Committee and Internal Audit Section to be included in the Governance Framework diagram on page 60 of the committee report.

In response to Members' queries regarding capital projects. The Corporate Director: Resources explained that every individual project came with its own set of risks, and not all development sites had the same level of complexity. Unfortunately some issues were unknown at the outset and only came to light as the project progressed and detailed investigations undertaken. In those instances, it would be the responsibility of the Lead Director and their project management team to respond and review plans accordingly. The responsibility of the Audit Committee was to review and monitor corporate governance processes.

She assured Members that wherever possible, lessons learned, both positive and negative, from one project would be fed into other projects.

Members were advised that the final Statement would be presented to the Committee for approval in July 2018.

Agreed: The Annual Governance Statement including the Annual Governance Action Plan 2017/18 attached at Appendix 1 of the report be approved.

AUD.9 Statement of Accounts 2017/18

The Committee received a report from the Corporate Director: Resources

Agenda Item No. 4

which asked Members to consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2017/18.

The Corporate Director: Resources outlined the contents of the report and advised Members that there was no statutory duty to bring the pre-audit copy to Committee for endorsement, it was considered best practice and the Council's external auditor, Grant Thornton (GT) had until 31st July 2018 to complete the audit.

The Financial Services Manager led Members through the statement and gave a detailed summary of the key issues. She advised that the accounts would be made available for public inspection for a period of 30 days between 1st June to 12th July 2018. She thanked the Financial Services team for all their professionalism and hard work in producing the accounts.

In response to a Member's question, the Corporate Director: Resources confirmed that a copy of any amendments made to the pre-audit accounts would be reported back to the Committee. Members acknowledged the amount of work which had gone into the documents and commended the Corporate Director: Resources and her team for their excellent work.

Agreed:

- 1.1 The pre-audit Statement of Accounts approved by the Corporate Director: Resources, be endorsed.**
- 1.2 The Corporate Director: Resources be authorised to make minor changes to the copy of the Statement of Accounts endorsed in 1.1 above, prior to the statutory pre-audit deadline of the 31st May, should this be necessary.**

Councillor N Desmond left the meeting at this point, (7.21pm).

AUD.10 External Audit Fee Letter 2018/19 and Verbal Progress update on 2017/18 Audit

The Committee received an update on the 2017/18 audit. The Engagement Manager (GT) advised Members that they were where they wanted to be in the audit plan and were scheduled to be on site for three weeks commencing on Monday 4th June 2018. She added that a lot of detailed preparatory work had been carried out and they were looking forward to starting the audit.

The Engagement Lead (GT) presented the External Audit Fee Letter 2018/19. He advised Members that following the Council's decision in December 2016 to opt into the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors for 5 years commencing from 2018/19, there had been a 23% reduction in the individual scale fees from what was applicable for 2017/18.

Agreed: The update be noted.

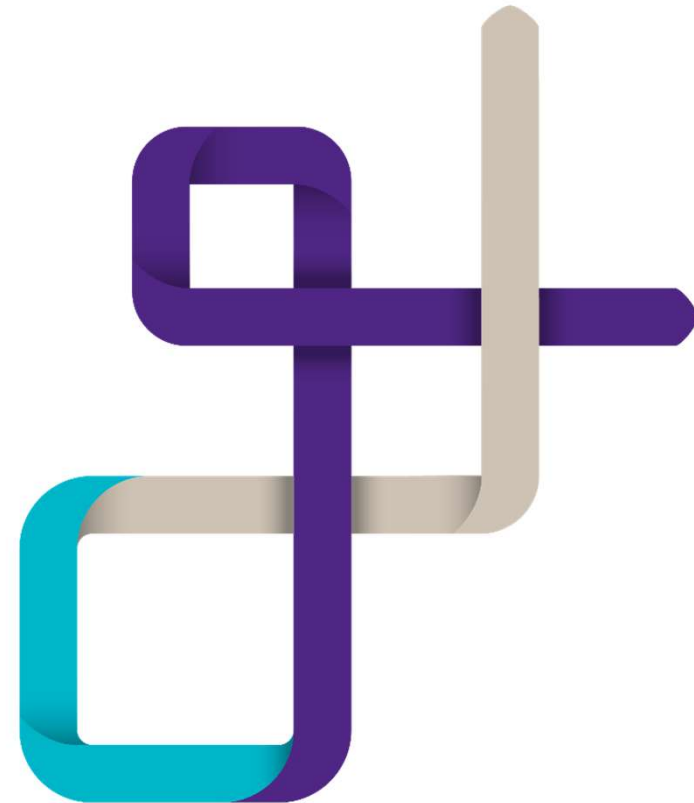
There being no further business, the meeting ended at 7.30pm.



Audit Findings

Year ending 31 March 2018

Wyre Forest District Council
30 July 2018



Contents



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Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audit of Wyre Forest District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<p>Financial Statements</p>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position for the year, and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on local Authority Accounting 2017/18 and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during May and June. Our findings are summarised in this report. We have not identified any adjustments to the financial statements. We have raised recommendations for management as a result of our audit work in Appendix A, and our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to the clearance of outstanding matters, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 30 July 2018, as detailed in Appendix E. These outstanding items include:</p> <ul style="list-style-type: none"> receipt of the management representation letter; Completion of our work on the IAS19 disclosures- reliance on the pension fund auditor, and review of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of the Council and with the financial statements we have audited.</p>
<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Wyre Forest District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised within this report.</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. The draft accounts were presented for audit by the statutory deadline of 31 May and well supported by working papers. The finance team have been very supportive throughout our audit.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 30 July 2018, as detailed in Appendix E. These outstanding items include:

- Completion of our work on the IAS19 disclosures- reliance on the pension fund auditor
- receipt of management representation letter; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our assessment of materiality remains the same as reported in our audit plan.

	Amount	Qualitative factors considered
Materiality for the financial statements	£963,000	We determined materiality for the audit of the Council's financial statements as a whole to be £963,000, which is 1.8% of the Council's gross operating expenses in 2016/17.
Performance materiality	£722,000	We used a lower level of materiality, to determine the extent of our testing. We set this at 75% of financial statement materiality.
Trivial matters	£48,000	We determined the threshold at which we would communicate misstatements to the Audit and Standards Committee at £48,000 (5% of financial statement materiality)
Senior officer remuneration	£100,000	We have set a lower level of materiality for senior manager remuneration disclosures because we believe these disclosures are of specific interest to the reader of the accounts.

Significant audit risks

Risks identified in our Audit Plan

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Commentary

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Wyre Forest District Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Wyre Forest District Council.

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

We undertook the following procedures:

- reviewed accounting estimates, judgements and decisions made by management
- tested journal entries
- evaluated the rationale for any changes in accounting policies and reviewed unusual significant transactions
- reviewed significant related party transactions outside the normal course of business

Our audit work has not identified any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

Commentary

Auditor commentary

We undertook the following procedures:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated.
- assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement
- evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation.
- We gained an understanding of the basis on which the valuation was carried out
- undertook procedures to confirm the reasonableness of the actuarial assumptions made
- checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report
- undertook procedures to ensure that the data sent to actuary was complete and accurate

The Council made an early payment towards the pension deficit. We considered the accounting entries and reasonableness of the payment. We do not have any significant concerns to report. We discussed the disclosures made in the accounts in relation to this and the prominence given to the matter and the impact within the accounts. Officers are satisfied that sufficient prominence is given through reference in the narrative report and within a footnote to the specific notes in the accounts.

Reasonably possible audit risks

Risks identified in our Audit Plan

Employee remuneration

Employee expenditure represents a significant percentage (20%) of the Council's operating expenses.

We identified completeness of payroll expenses as a risk requiring particular audit attention

Commentary

Auditor commentary

We have undertaken the following work in relation to this risk:

- documented our understanding of processes and key controls over the transaction cycle
- undertaken a walkthrough test of the key controls to assess whether those controls were in line with our documented understanding
- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls
- reconciled the payroll system to the general ledger
- reviewed payroll accruals for reasonableness
- performed a substantive analytical review

We have no matters to report

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (68%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls
- searched for unrecorded liabilities by reviewing payments made after the year end
- substantively tested the expenditure occurred in the year




We have no matters to report

Matters discussed with management




This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
Early payment of pension contributions	<p>The Council has made an early payment of £5.5 million to the LG pension fund as deficit clawback funding 2017-20. The advantage of this is that it provided an ongoing revenue saving to the Council.</p> <p>We discussed the need for officers to demonstrate that they had satisfied themselves the legality of the process, to correctly account for the payment and to ensure there is sufficient prominence within the accounts.</p>	<p>We are satisfied that the Council is satisfied that the early payment is compliant with Regulations and is appropriately reflected in the financial statements.</p>
Consideration of pension guarantees	<p>We discussed with officers the need to consider the accounting treatment of any guarantees that the Council may have with the pension fund in relation to staff that have transferred to another employer.</p> <p>Officers contacted the LG pension fund to confirm the position and considered the likelihood of any arrangement being activated. They concluded that there is a low risk.</p>	<p>We are satisfied that officers have made appropriate enquiries concerning potential pension guarantees and that their view that there is a low risk of any arrangement being activated is reasonable.</p>

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue and capital transactions are accounted for on an accruals basis where above the de-minimis thresholds Government grants and other contributions are recognised where reasonable assurance has been gained that the Council will comply with relevant terms and conditions and it is likely the amounts will be received Income receivable from the sale of good and rendering of services is recognised in line with the relevant conditions Collection fund income is recognised on an accruals basis 	<ul style="list-style-type: none"> The accounting policies are appropriate under relevant accounting framework i.e. CIPFA Code of Practice The accounting policy for revenue recognition has been adequately disclosed in the notes to the accounts The accounting policies adopted are consistent when benchmarked against other similar Local Government bodies 	 Green
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> Car park asset under construction- basis of valuation Useful life of Property Plant and Equipment (PPE) Valuation of pension fund net liability Provision for NNDR appeals Fair value measurement 	<p>Disclosures are consistent with the prior year and with our expectations. No additional disclosures were requested.</p> <p>Accounting policies state the valuation for PPE is at 31 March 2018, however the valuation is as at 1 April 2017 and a desk top review undertaken by the in-house valuer confirms that there has been no change until the year end. We suggest that that the valuation is as at 31 December then a desk top review would only be required for the last three months of the year. It would also provide more up to date information for the assessment on assets not valued in year.</p>	 Green
Other critical policies		<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.</p>	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant non-compliance with relevant laws and regulations and we have not identified any non-compliance from our audit work.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the council's bankers and to organisations with whom the Council held investments. Responses have been received from all bodies.
⑥ Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.

Other responsibilities under the Code

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

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect.</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that this work is not required as the Council does not exceed the threshold.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Wyre Forest District Council following the Audit Committee meeting on 30 July 2018.</p>

Value for Money

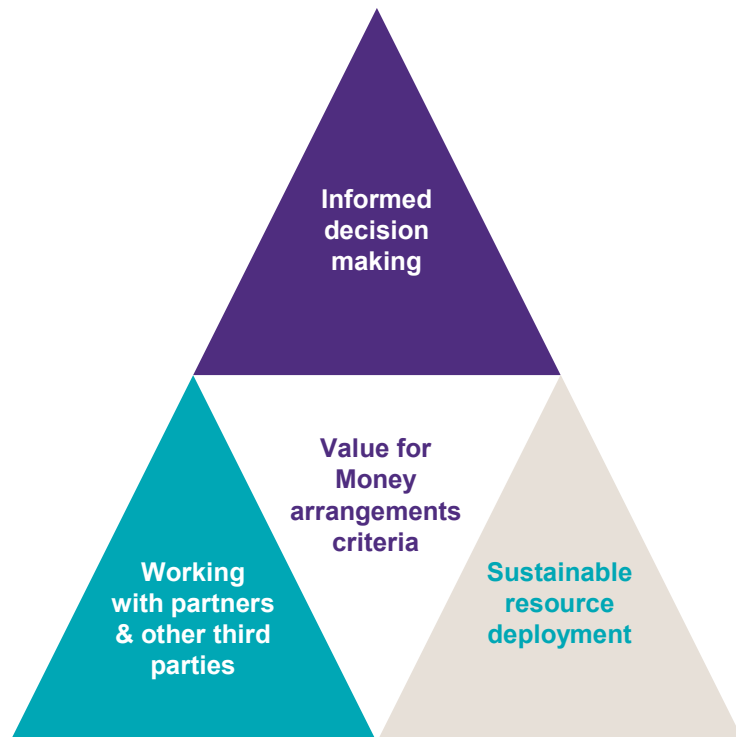
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2018. We communicated to you in our Audit Plan dated January 2018 that we did not consider that there were any significant risks. We used the guidance provided by the National Audit Office contained in AGN03 to inform that view.

The Council's financial statements and medium term financial plan highlight the financial challenge that Wyre Forest District Council faces. The financial statements refer to the £1.6 million funding gap that the Council needs to close by 2020-21. The Council is addressing the challenge through making savings, increasing its focus on commercialisation, and generating increased and new income streams.

As at 31 March 2018 the Council's General Fund working balance was £5.1 million with a further £6.3m earmarked for specific purposes. These balances provide the Council with contingency for unforeseen events and delays in delivering savings or additional income.

We concluded that the Council does not have a significant risk to its financial resilience in the short to medium term. In forming this view we considered the Council's track record, its focus on future financial planning, and the level of usable reserves.

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

Overall conclusion

We concluded that:

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

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

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. We provided no non audit service to the Council.

Action plan

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	The narrative report and the Expenditure and Funding Analysis (EFA) should more clearly link with budget reporting, to more clearly comply with code requirements.	<ul style="list-style-type: none"> Officers should review the presentation of the EFA note in conjunction with the financial outturn element of the narrative report, to facilitate a better understanding by the user of the accounts. The financial out-turn against budget should more clearly link with what has been reported to Council throughout the financial year and how this reconciles with the financial statements. <p>Management response</p> <ul style="list-style-type: none"> The outturn reporting in both the narrative report and EFA note is consistent with the prior year. We believe that it is important to maintain consistency between years for comparative purposes but accept that our reporting could be improved and that a revision to the presentation could lead to a clearer understanding of the financial position. We will undertake a review of our presentation of both the EFA and the figures reported in the narrative report in 2018/19.
●	We recommend that next year the Council considers how the 'significant governance risks' are described in the Annual Governance Statement (AGS). The current narrative approach means that whilst the matters are key challenges they are not necessarily all governance risks and there is some overlap for example around the financial challenge. Under the guidance there should be a clear statement of the governance risk, the action being taken to address and a description of how these are being monitored for example through the risk register or other means.	<ul style="list-style-type: none"> Officers clearly place significant importance of the AGS and we are satisfied that the underlying processes and procedures to produce the report are sound. In reflecting the Council's strategic challenges as governance issues there is potentially a misleading picture of the extent of governance weakness. <p>Management response</p> <ul style="list-style-type: none"> We will undertake a review of the narrative presentation of the AGS in 2018/19 and reassess our statement of governance risks.

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Wyre Forest District Council's 2016/17 financial statements, which resulted in the following recommendations being reported in our 2016/17 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
① ✓	<p>Accounts – Narrative Foreword</p> <p>The narrative foreword is compliant with the Code requirements but there is scope to be more concise. The Council should consider whether the information could be more focussed and perhaps some of the detail presented in graphs or diagrams to make it easier for the user of the accounts to digest.</p>	<ul style="list-style-type: none"> • The narrative foreword is well presented this year and the Council has clearly considered our recommendations. There is scope to summarise further. • Next year the presentation of financial outturn should more clearly link with the out-turn report to members and link with the EFA.
② ✓	<p>Accounts – Critical Judgements and Contingent Liabilities</p> <p>The Corporate Director: Resources should consider the extent of disclosure of judgements in the financial statements, particularly in relation to critical accounting judgements and contingent liabilities when drafting the financial statements.</p>	<ul style="list-style-type: none"> • We have not identified any particular concerns when auditing these statements this year

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations (continued)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3	✓	Value for Money Forecasting Conclusion – with increased focus on income generation activities as a way of filling the budget gap, the Council needs to develop its approach to budget forecasting. In particular around forecasting income where services are demand led	<ul style="list-style-type: none"> • Budget monitoring reports have been improved and refined. In particular work has been done to examine all external income areas and a revised classification of “Commercial” income is now used for reporting based around the “demand-led” definition. A new template for regular reporting of Commercial Activity is being formulated and the Financial Services Manager is working with the service accountants and service managers to ensure all relevant costs are captured as well as gross income and amendments to the General Ledger coding are being made to support this new approach. • As part of the MTFS process last year a Commercial Activity Programme Board was established with key Cabinet Members and Officers attending to look specifically at commercial activity with the terms of reference including budget monitoring. The new budget monitoring template will be reported to the CAPB rather than just gross income. The Board is able to make decisions to allocate out of a £250k generic capital pot and a £100k revenue pot to support new business cases that are shown to be viable. Sensitivity analysis and risk assessment is a key part of the business case template. The first Board meeting was held on the 18th April, it is due to meet again on 18th July. • The revised reporting template captures all commercial income generation targets whether shown specifically or generically in the MTFS alongside all relevant costs (some of which are pump –primed and therefore not ongoing and funded from the Innovation Fund reserve) to show a surplus or deficit for each of the main categories of commercial income. The aim is to provide better management accounting information to aid decision making in this key area. • Finally the Council is working across the West Midlands on a report commissioned by the IEWN to gather data on Commercialisation. Part of this consultancy is looking at information on cost recovery, (including provision of a detailed cost recovery tool) and reporting of commercial activity across all participants so best practice can be fed back. This will further inform our reporting of demand-led income.

Assessment

- ✓ Action completed
- ✗ Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. No adjustments have been made by management.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
The fair value of the financial instruments has not been disclosed correctly,	The PWLB fair value disclosure was reduced by £993k. Thus the PWLB figure needs to be increased by £993k and this will have an impact on the total fair value figure.	The note should be amended to disclose the correct fair value of the financial instruments. The PWLB value will increase by £993k to £18,582k and the total of the note to £19,576k.	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 The VAT charge was included in the valuation of one of the Heritage assets, thus the value and the revaluation reserve was overstated	Nil	Heritage Assets £76k overstatement Unusable Reserves (Revaluation Reserve) £76k overstatement	nil	The misstatement is below our materiality threshold thus it was not required to be adjusted. The Council will adjust the value of the asset next year.
Overall impact	n/a	n/a	n/a	

Impact of prior year unadjusted misstatements

There were no prior year unadjusted statements to consider.

Unadjusted misstatements

An overpayment was identified in our housing benefits sample testing. We have extrapolated the error and estimated the potential error to be £51k. The extrapolated error is not expected to exceed the DWP threshold for clawback of subsidy and thus is unlikely to have a financial impact for the Council – but is reported here for completeness.

Fees

We confirm below our final fees charged for the audit. There were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	£48,936	£48,936
Grant Certification	£8,785	tbc
Total audit fees (excluding VAT)	£57,721	tbc

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Our actual grant fee will be confirmed when we have completed our work in November 2018.

Audit opinion

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

Independent auditor’s report to the members of Wyre Forest District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wyre Forest District Council (the ‘Authority’) for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor’s report and for no other purpose..

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director: Resources’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director: Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporate Director: Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 3-42, the Narrative Report and the Annual Governance Statement other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority’s arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Corporate Director: Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 31, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director: Resources..

The Corporate Director: Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Corporate Director: Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director: Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that Wyre Forest District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

..

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

signature to be issued

Richard D Percival

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP
Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

30 July 2018



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WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE REPORT****30th JULY 2018****STATEMENT OF ACCOUNTS 2017/18**

OPEN ITEM	
CABINET MEMBER:	Nathan Desmond
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext 2100 tracey.southall@wyreforestdc.gov.uk Helen Ogram Ext 2907 Helen.ogram@wyreforestdc.gov.uk Lisa Hutchinson Ext 2120 lisa.hutchinsonl@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Draft Letter of Representation 2017/18 Appendix 2 - Statement of Accounts Overview 2017/18

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the changes that have been required to the Statement of Accounts for 2017/18 following the audit undertaken by Grant Thornton UK LLP (Grant Thornton).
- 1.2 The Council is also required to provide an updated version of the Letter of Representation to the auditors, before they will issue the audit opinion for 2017/18; the wording of this is attached for approval.

2. RECOMMENDATION

The Audit Committee is asked to DECIDE that:

- 2.1 **The Revised Statement of Accounts for 2017/18 be approved.**
- 2.2 **The Letter of Representation for 2017/18 attached at Appendix 1 be approved.**

3. BACKGROUND

- 3.1 The draft Statement of Accounts was certified as a true and fair position by the Chief Financial Officer, and endorsed by Audit Committee at the meeting held on May 30th 2018.
- 3.2 During the course of the audit there were some minor issues raised by the Auditors and the Accounts were amended accordingly with the exception of one that will be adjusted in this year's accounts. Most of these were changes to/or additional disclosures that improve the presentation of the clarity of the financial statements for the users of the

accounts, these are detailed within the Annual Findings Report also on this agenda. The unadjusted item is in relation to the valuation of a single Heritage asset that erroneously included VAT. This is not considered to be material as the impact is only £76k compared to the circa £51m Long-Term Assets shown on the Balance Sheet. It has been agreed with Grant Thornton that this revision will be reflected in the 2018/19 accounts.

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

4. KEY ISSUES

- 4.1 The audit of the Statement of Accounts for 2017/18 has almost been concluded and Grant Thornton has indicated it will issue an unqualified opinion. This is subject to the finalisation of the audit.

5. FINANCIAL IMPLICATIONS

- 5.1 This is a financial report identifying changes to the Statement of Accounts 2017/18 following the audit, and presentation of the Letter of Representation.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 It is a requirement of the Accounts and Audit Regulations 2015 that the Statement of Accounts is published by the 31st July following the end of the financial year.

7. RISK MANAGEMENT

- 7.1 The principal risks to the Council are non-achievement of the Accounts and Audit Regulations 2015 deadline, in respect of production and approval of the Statement of Accounts before 31st July 2018; and qualification of the Accounts by the Council's External Auditors. As the report sets out, the deadline should be met and a clean audit opinion is expected.

8. EQUALITY IMPACT ASSESSMENT

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

9. CONCLUSION

- 9.1 This report details with the finalisation of the Statement of Accounts for 2017/18.

10. CONSULTEES

- 10.1 CLT/Cabinet Member for Resources
10.2 Grant Thornton

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2015
11.2 Financial Strategy 2018/21
11.3 Cabinet 12th June 2018 – Report on Provisional Final Accounts 2017/18
11.4 Audit Committee 30st May 2018 - Report on Provisional Final Accounts 2017/18



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my ref: TS/JHL

30th July 2018

Dear Sirs

Wyre Forest District Council
Financial Statements for the year ended 31st March 2018

This representation letter is provided in connection with the audit of the financial statements of Wyre Forest District Council for the year ended 31st March 2018 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Resources Directorate
Wyre Forest House
Finepoint Way
Kidderminster
DY11 7WF

Tracey Southall, Corporate Director: Resources

- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xv We have communicated to you all deficiencies in internal control of which management is aware.

- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxi We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 30th July 2018.

Signed on behalf of Wyre Forest District Council:

Name: Tracey Southall

Position: Corporate Director: Resources

Date: 30th July 2018

Name: Councillor Howard Williams

Position: Chair of the Audit Committee

Date: 30th July 2018

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2017-18 – OVERVIEW

1. INTRODUCTION

Each year the Council has to produce a set of accounts just like any other organisation. The formal document is the Statement of Accounts (Statement) which sets out the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The full Audited Statement will be published on the Council's web-site after 31st July 2018. The purpose of this overview document is to provide a summary of key aspects of the more detailed Statement to aid understanding and assist with the scrutiny process.

2. APPROVAL PROCESS

The statutory deadline for approval of the Pre-Audit 2017-18 Statement of Accounts was 31st May in accordance with the Accounts and Audit Regulations.

This Council's timetable for approval of the 2017-18 Accounts is as follows:

- : Chief Financial Officer approval/Audit Committee endorsement – 30th May 2018
- : Cabinet – 12th June 2018 (Major Variations only); and then
- : Audit Committee – 30th July 2018 (audited version) – formal approval

The Accounts are audited by Grant Thornton who are the Council's external auditors. Regulations require that the Statement of Accounts 2017-18 is published by 31st July 2018.

3. BASIS OF ACCOUNTS

The Corporate Director: Resources, Tracey Southall, is responsible for the preparation of the Statement in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18. This includes full compliance with the International Financial Reporting Standards (IFRS).

The Accounts present a true and fair view of the financial position of Wyre Forest District Council for the year ended 31st March 2018. Up to date and proper accounting records have been maintained in accordance with the accounting policies outlined in the detailed Statement. In addition, the Chief Executive and Leader of the Council are required to confirm the Council's Governance arrangements can be relied upon to produce an accurate Statement of Accounts; again this is contained within the Annual Governance Statement.

4. **KEY COMPONENTS**

The Council's accounts for the financial year ended 31st March 2018 mainly comprise:-

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

This account brings together income and expenditure relating to all of the Council's functions. It excludes Capital, accounted for separately. Income from the Council's precept on the Collection Fund is included in this account. It represents the gains and losses that contribute to the changes in financial resources and is the accounting position rather than the bottom-line to taxpayers.

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

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

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

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

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

(d) **The Balance Sheet**

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

(e) **The Cash Flow Statement**

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

5. FINANCE STRATEGY

The Council continues to implement the three year Finance Strategy, endeavouring to balance service priorities against resources available. The financial landscape continues to be very challenging. The continuing Wyre Forest Forward Transformation programme in 2017-18, and work with the cross party Cabinet Financial Strategy Advisory Panel enabled the Council to set a forward-looking budget for 2017-18 and continued investment in the key priority of economic and regeneration initiatives, aided by membership of both the Worcestershire and Greater Birmingham and Solihull Local Enterprise Partnerships.

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

2016-17 Net Expenditure/ (Income) £000's	Service Area	2017-18 Net Expenditure/ (Income) £000's
1,817	Chief Executive and Solicitor to the Council	1,860
6,043	Community Well-Being and Environment	5,806
2,844	Economic Prosperity and Place	2,575
1,412	Resources	1,842
12,116	Net Cost of Services	12,083
916	Parish Precepts	976
3,069	Other Net Operating (Income)/Expenditure	(438)
405	Net Investment (Income)/Borrowing Costs	468
(2,975)	Other Accounting Adjustments*	(457)
13,531	Amount to be met by Government Grant/Council Tax	13,546
	Funded by:	
(3,042)	Business Rates Retention	(3,525)
(1,222)	Revenue Support Grant	(553)
(7,645)	Council Tax	(7,795)
(2,357)	New Homes Bonus	(1,910)
(440)	Transferred Asset	-
(1,175)	Movement in Revenue Fund Balance	(237)
<p>* This takes into account entries required to reflect issues including depreciation, changes in market value of assets and the position of this Council's Pension assets and liabilities administered in the Worcestershire County Council Pension Fund</p>		

7. OVERALL BUDGET VARIATIONS

Major revenue variations between the revised budget and actual were shown in Appendix 1 to the reports to Audit Committee on 30th May 2018 and to Cabinet on 12th June 2018.

A further analysis of actual compared to the original budget used for 2017-18 is contained in the full Statement.

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

Civic & Administrative Buildings	2
Car Parks	24
Asset Under Construction (Load Street Car Park)	1
Trading Estates & Enterprise Centres	5
Public Conveniences	9
Leisure Centres (leasehold interest in Bewdley Leisure Centre included)	2
Museums	1
Sports, Social Clubs, Fields & Parks	22
Nature Reserves	4
Other Land & Buildings	31
Vehicles	77
Heritage Assets	Various
Play Equipment / Systems Software / Open Spaces Equipment	Various
Note: The Council also owns a number of assets below the de minimis level of £10,000 which are not shown in these figures	

9. **SIMPLIFIED BALANCE SHEET**

31-03-17 £000's	What the Council owns and is owed	31-03-18 £000's
	What we own:	
50,083	Buildings, Land, Vehicles and Equipment	51,016
96	Inventories	83
17,828	Cash Invested	13,535
4,547	Money owed to the Council	5,455
	What we owe:	
(25,963)	Money owed by the Council	(26,097)
(57,774)	Pension Fund Liability	(54,241)
(11,183)	Total Value of what we own/(owe)	(10,249)
	Financing:	
	Usable Reserves	
2,572	Capital Expenditure Reserve	2,759
5,714	Earmarked Reserves	6,293
4,914	General Reserves	5,151
579	Capital Grants Unapplied	627
	Unusable Reserves	
32,972	Capital Financing Reserves	32,852
(57,774)	Pensions Reserve	(57,771)
(160)	Short-term Accumulated Absences Account	(160)
(11,183)	Total Reserves	(10,249)

10. **WHAT ARE OUR RESERVES?**

31-03-17 £000's	General Fund Reserves:	31-03-18 £000's
3,739	At beginning of the year	4,914
1,175	Movement in Revenue Fund Balance	237
4,914	Balance at the end of the year	5,151
<p>The Council has a duty in law to keep an appropriate (prudent) level of General Reserves. It has been our policy to keep a minimum working balance of £1m.</p>		

31-03-17 £000's	Capital Expenditure Reserve and other Reserves and Capital Contributions set aside for the future:	31-03-18 £000's
	The savings and money set aside for the future are :-	
2,572	Capital Expenditure Reserve	2,759
5,714	Earmarked Reserves	6,192
-	Collection Fund Reserve	101
579	Capital Contributions Unapplied (Grants)	627
8,865	Total Capital and Revenue Reserves	9,679

11. HOW WELL HAVE WE PERFORMED?

Finances:

Borrowing Money – the Council took out a further loan during 2017-18 (net of in-year maturities that were replaced) taking the total borrowing up to £18m.

The rates are as follows:

- 12/13 £1m @ 2.62% for 9 years
- 13/14 £1m @ 1.52% for 5 years
- 14/15 £1m @ 3.99% for 19 years
- 14/15 £1m @ 3.54% for 42 years
- 14/15 £1m @ 3.44% for 25 years
- 14/15 £1m @ 2.99% for 24 years
- 14/15 £1m @ 2.87% for 26 years
- 14/15 £1m @ 2.80% for 22 years
- 15/16 £1m @ 2.96% for 20 years
- 15/16 £1m @ 3.35% for 17 years
- 15/16 £1m @ 3.40% for 16 years
- 15/16 £1m @ 3.13% for 15 years
- 15/16 £1m @ 2.96% for 13 years
- 15/16 £1m @ 2.99% for 48 years
- 16/17 £1m @ 2.21% for 10 years
- 16/17 £1m @ 2.42% for 45 years
- 16/17 £1m @ 0.80% for 2 years
- 17/18 £1m @ 2.28% for 46 years

Investing Money - average interest rate 0.44% (compared to a benchmark 7 day LIBID average rate of 0.22%)

Payment of what we owe:

Prompt payment – we paid 96.40% of all invoices within 30 days

Collection of what is owed to us:

Council Tax - we collected 97.02%

Business Rates – we collected 97.86%

Performance against national and local measures:

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

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

Reports are considered by the Corporate Leadership Team (CLT) on a monthly basis where they monitor the leading measures whilst quarterly reports are considered by the Overview and Scrutiny Committee where measures are reported. We publish performance information to ensure we effectively communicate to the community a summary of our key service delivery performance from the previous financial year. For further information please visit:

<http://www.wyreforestdc.gov.uk/the-council/what-our-priorities-are-and-how-we-are-doing/performance.aspx>

12. SUMMARY

This Overview gives a summary of the Statement of Accounts 2017-18, which is a snapshot of this Council's finances as at 31st March 2018, showing:-

- How we raised income during the year
- How we spent money during the year
- How we performed against our budget
- How we performed in looking after the money
- How much money we have at 31st March 2018 (reserves)
- How the money is invested at 31st March 2018 (buildings, equipment and cash)

13. FINANCIAL TERMS EXPLAINED

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

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

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

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

Capital Expenditure Reserve: Allocated usable capital receipts.

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

Creditors: Those to whom we owe money.

Debtors: People or organisations who owe us money.

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

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

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

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

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

Reserves: Savings or money set aside for the future.

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

14. CORPORATE DIRECTOR: RESOURCES' ENDORSEMENT

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

Through careful planning and management Wyre Forest District Council has been able to close its 2017-18 accounts showing a robust position which will support the Council in meeting the financial challenges of 2018-19 and beyond. Whilst a balanced budget has been set for 2018-19, the projections for future years indicate a significant gap of around £1.6m between the Council's expected funding streams and the Council's expenditure. It is therefore essential that the Council continues with its transformation and efficiency programme to identify further saving and income opportunities to ensure future balanced budgets can be set. Alongside this work, the Council continues to oversee significant capital investment, including major injections of finance in its key priority of securing the economic prosperity of the district.

This has been the fifth year of the Business Rates Retention Scheme. Results for this year are extremely positive for the Pool overall and also for Wyre Forest with the Pool retaining total levy of £2.27m, of which 50 percent is held in a risk reserve with the remainder distributed to Pool members. As planned, This Council has exceeded our revised budget estimate of £2.873m including our estimated share of retained growth of £220k over baseline to allow for the essential top-up of Business Rates/Regeneration Reserves so we remain in a robust position going forward.

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Appendix 2

These remain extremely challenging times for the Council given the impending changes to the landscape of the Government's funding regime that will continue to emerge as consultation papers are published. The emerging "Brexit" process and pressures across the national budget add further layers of uncertainty but as yet it is too early to judge the impact on Local Government Finances and district councils in particular. The saving on outturn is welcomed and has been utilised to earmark funds to meet potential liabilities, create resilience and also to increase General Balances compared to forecasts, to mitigate the potential future impact of funding volatility.

What is clear, is that austerity and funding pressures will continue; the raft of transformational reviews being developed and implemented as part of the Wyre Forest Forward programme are essential to secure ongoing financial sustainability

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

A full copy of the Statement of Accounts will be published on the Council's website after 31st July 2018.

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

30th July 2018

INTERNAL AUDIT MONITORING REPORT

QUARTER ENDED 30TH JUNE 2018

OPEN	
CABINET MEMBER	Councillor Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 30 th June 2018

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30th June 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 30th June 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 2018~19 in March 2018. This plan takes into account changes in priorities and risk and provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority.
- 3.3 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Leadership Team and to the External Auditors.

3.4 The Report attached as an Appendix contains 5 sections which are:

Section 1	Follow up reviews undertaken in the quarter; incorporating recommendations in progress
Section 2	Final Internal Audit Reports issued
Section 3	Draft Internal Audit Reports issued
Section 4	Work In Progress to include draft reports issued following completion of 2017~18 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken

A number of other reviews are currently in progress. To support the work in progress, a summary of **action plans** issued is detailed within section 4 for Member information. In addition to the managed audits, within the audit plan resources are allocated to **consultancy and advice** for which a summary of the requests dealt with by Internal Audit is included within the performance statistics.

- 3.5 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by Internal Audit to require management's attention. The final audit report will recognise those areas of improvement and recommendations promptly actioned during the course of the audit, in order to raise the overall level of assurance given by Internal Audit at the completion of the full review.
- 3.6 The Internal Audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to the respective Corporate Leadership Team member and their nominated service manager{s} for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.
- 3.7 The Internal Audit Charter requires an annual opinion on the Council's internal control environment. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's internal control environment, which is reported to the May meeting of the Audit Committee.
- 3.8 The terminology within the reports presented to members is in line with that used by many other Internal Audit Teams of public authorities, private and public companies and external auditors.
- 3.9 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.

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- 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 designed to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. Following an external review of the Internal Audit Service, presentational changes have been made to the format of the audit briefs and formal reports to evidence the associated corporate risk and those risks considered against expected controls.
- 4.3 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.
- 4.4 The Internal Audit Team operate in accordance with recognised Internal Audit Standards. Procedures are monitored to ensure that the Internal Audit Team procedures remain compliant.
- 4.5 The Internal Audit Charter requires an annual opinion on the Council's internal control environment. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment, which is reported to the Audit Committee.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. There may however be financial implications if the audit recommendations made within audit reports are not implemented on a timely basis.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 section 5(1) require that:

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

7. EQUALITY IMPACT NEEDS ASSESSMENT

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

8. RISK MANAGEMENT

- 8.1 In order to manage risk, internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 8.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.
- 8.3 The Internal Audit service is one element of the Council's assurance/internal control framework.
- 8.4 A relevant member of the Internal Audit Team will continue to be involved in future Wyre Forest Forward Systems Thinking reviews to oversee and advise on proposed system changes to ensure Key Controls are not compromised as part of the Consultancy and Advisory role detailed within the Internal Audit Plan.
- 8.5 Key audit risks are now evidenced against expected controls for all internal audit briefs. Whilst this is merely a presentational change as recommended by the external review, it should help to increase focus on risk management issues throughout the delivery of each specific audit review.

9. CONCLUSION

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 30th June 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
Cabinet Member for Resources

11. BACKGROUND PAPERS

- 11.1 19th March 2018 ~ Audit Committee ~ Internal Audit Annual Plan 2018~19
28th November 2016 ~ Audit Committee ~ Internal Audit Charter {Updated}
Accounts and Audit Regulations 2015 {SI 234}



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
30th June 2018**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 30th June 2018

INDEX	PAGE
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SECTION 4 Work In Progress (Including Action Plans Issued) & Draft reports following the completion of the 17~18 Internal Audit Annual Plan	57
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Including Consultancy & Advice for the Quarter & Comparison of Consultancy & Advice for Quarter 30th June 2017 & 30th June 2016	59
Supporting Information for Other Internal Audit work including the Wyre Forest Forward system reviews, process designs.	60
<i>Cheryl Ellerton</i> AUDIT MANAGER	
<i>Tracey Southall</i> SECTION 151 OFFICER	

3rd July 2018

Quarter Report to the 30th June 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.

TITLE	SYSTEM TYPE <small>K=Key S=Subsidiary</small>	ASSURANCE LEVEL OF FINAL REPORT	IMPLEMENTATION STAGE PER CHIEF OFFICER AND/OR RESPONSIBLE MANAGER AT TIME OF FOLLOW UP REVIEW				Page No.
			No of Recommendations	No of Recommendations Implemented	No of Significant Recommendations	No of Recommendations Implemented	
COMPUTER AUDIT SYSTEMS							
2017~18 Green Street Depot Inventory Review	K	S	2	1*	0	0	-

***Note To Reader**

The implementation of the second recommendation will be on a rolling basis and will be monitored through other inventory reviews undertaken by the Internal Audit team.

The ICT Manager has confirmed that all Senior Depot employees will have regular updates to ensure that regular spot checks are undertaken and ICT to be notified of any discrepancies.

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30th June 2018		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems (Annual Assurance Reviews)		
2017~18 Benefits {Housing Allowance & Council Tax Reduction {Local} Scheme ~ Reconciliation	F	-
2017~18 NNDR ~Compliance	F	-
2018~19 Council Tax ~ Gross Debit {Parameter} Reconciliation	F	-
2018~19 NNDR ~ Gross Debit {Parameter} Reconciliation	F	-

All with FULL assurance, so no further details provided.

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

SECTION 3

Quarter Report to the 30th June 2018

DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30th June 2018	
TITLE	DATE OF ISSUE
~	~

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

Agenda Item No. 7
Appendix 1
SECTION 4

The following Action Plans have been issued to Managers. In addition, the table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2018~19 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

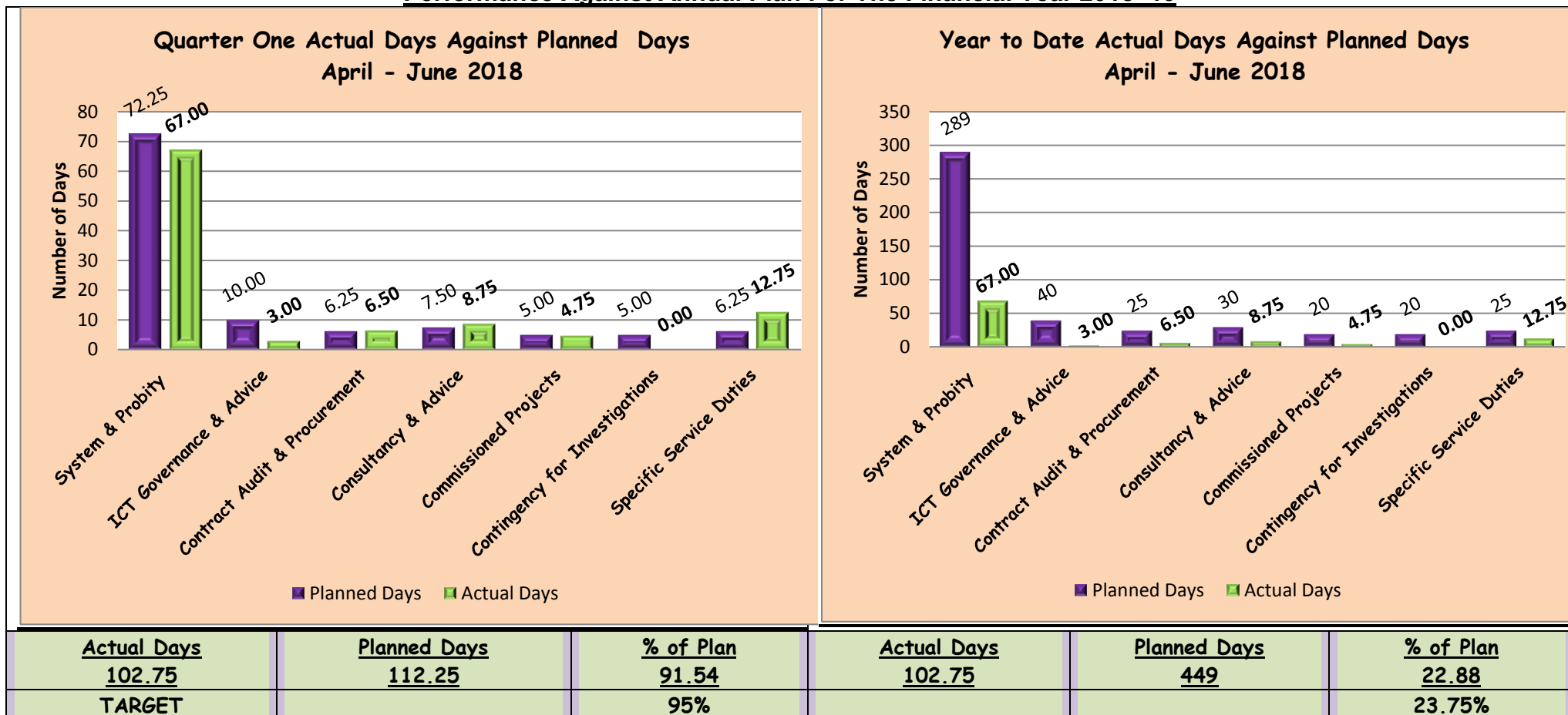
WORK IN PROGRES AS AT 30th June 2018		Status	Action Plans/Progress Report			DATE OF COMPLETION OF FIELD WORK
RISK ASSESSMENT	AUDIT REVIEW	As At 30.06.18	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	
RA74	<u>Core Financial Systems (Annual Assurance Reviews)~</u> <u>2018~19 Annual Audit Plan</u> <u>Accounting Cash To Bank</u> Corporate Income to Bank Bank Reconciliation	Stage 1 Stage 3	- 27.06.18			
RA88	<u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u> Council Tax Reduction {Local Scheme} ~ Compliance Housing Benefit {Allowances} Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 1 Stage 1 Stage 1	- - -			
RA82	<u>Council Tax</u> Ctax Reconciliations ~ {To include Gross Debit 2018/19} Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control} Ctax Compliance/Recovery	Stage 6 Stage 3 Stage 1	28.06.18{FR} 28.06.18 -			
RA80	<u>Creditors (Accounts Payable)</u> Creditors {Accounts Payable } ~ Compliance Creditors {Accounts Payable} ~ Reconciliation	Stage 1 Stage 1	- -			
RA89	<u>Debtors (Accounts Receivable)</u> Debtors {Accounts Receivable} ~ Compliance Debtors {Accounts Receivable} ~Reconciliations	Stage 1 Stage 1	- -			
RA71	<u>Establishment</u> Establishment Reconciliation Establishment {Staff Record Forms}	Stage 1 Stage 1	- -			
RA84	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations ~ {To include Gross Debit 2018/19} NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control} NNDR ~ Compliance	Stage 6 Stage 1 Stage 1	27.06.18{FR} - -			
RA85	<u>Payroll (Including Mileage & Subsistence Claims</u> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^ ^ Field Work includes Local Government Pension Scheme & Local Pay Award Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 3 Stage 1	28.06.18 -			

KEY

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

Audit Resource Statistics

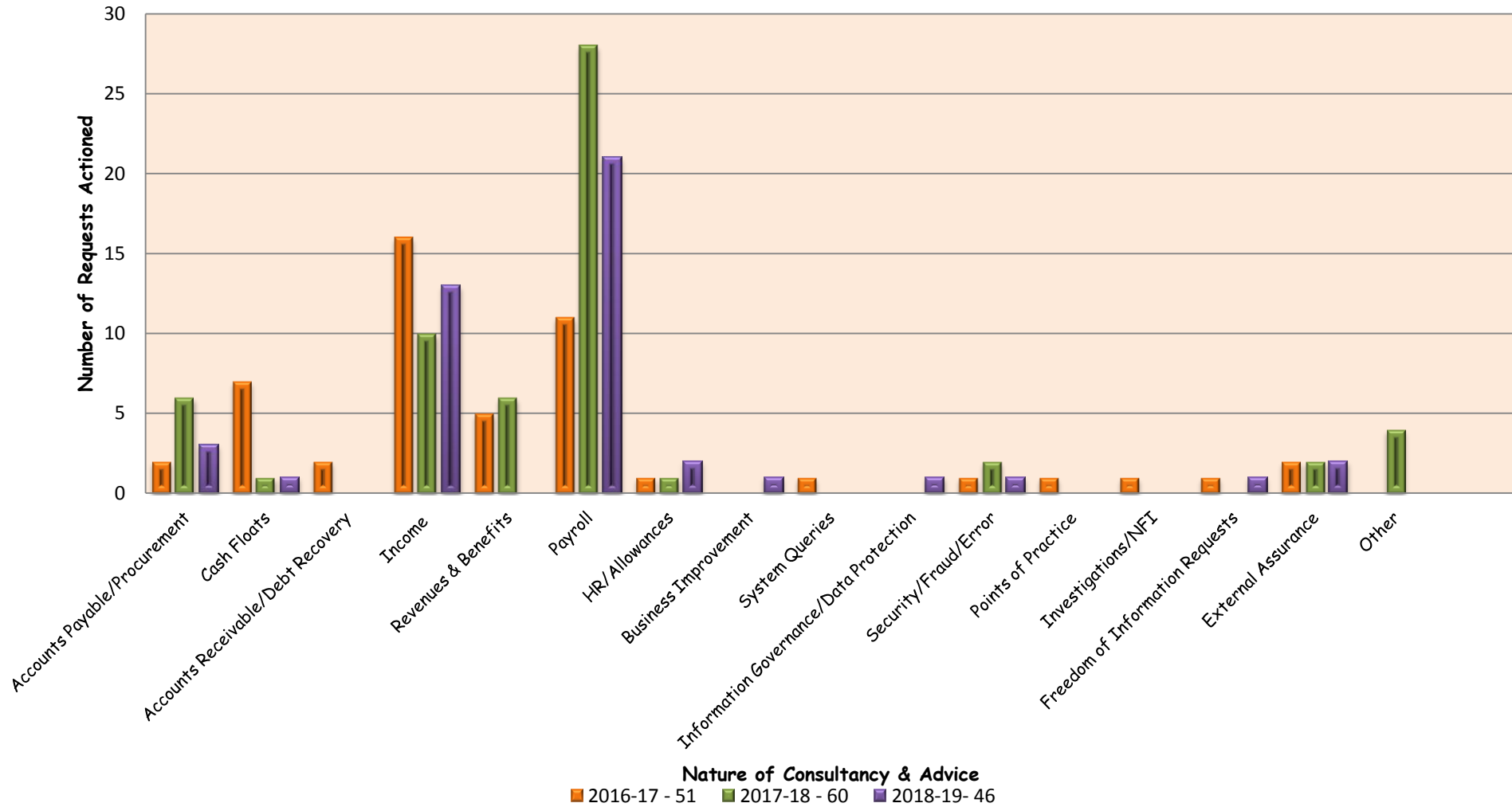
Performance Against Annual Plan For The Financial Year 2018~19



For the quarter to 30th June 2018 actual against plan is **91.54%** compared to a target of **95%** {84.9% against **95%** for quarter 30th June 2017}
NB: Quarter 1 for 2018~19 included bank holidays for the Easter & Spring Breaks coupled with several periods of annual leave and the Audit Manager allocating time to the Audit of the Kidderminster Town Council.

➔ Within the time allocated in the above table, during this first quarter of 2018~19 the Internal Audit Team have responded to **46** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **60** requests received and actioned for the same period for 2017~18 and the **51** requests received and actioned for the same period in 2016~17.

Comparison of Audit Consultancy & Advice
Quarter 1 {April - June} ~ 2016/17 ~ 2017/18 ~ 2018/19



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 2018~19 Internal Audit Annual Plan approved by the Audit Committee in March 2018 as summarised below:-

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Strategy Board Meetings.
- Assist the Data and Project Officer in his role as Data Protection Officer for the Council.
- Attend the Information Governance Working Group.

Contracts & Procurement

- Monitoring of the Load Street Car Park refurbishment, Bewdley.

Wyre Forest Forward ~ Interventions/Continuous Improvement Work

Members of the Internal Audit Team continue to be involved in Wyre Forest Forward continuous improvement reviews; overseeing and advising on proposed system changes to ensure Key Controls are not compromised. 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.

Commission Consultancy Engagements

During this first quarter, an internal audit review was undertaken as a consultancy engagement at the request of the Cultural Services Manager in agreement with the Audit Manager. The review was completed by the Senior Internal Auditor in consideration of the UK Public Sector Internal Audit Standards to evidence adding value to current process and procedure changes.

A detailed review of the system and procedures in place for the processing of applications and booking payments at the Town Hall. The aim of the review was to add value and improve the service delivery and mitigate any risk identified.

The review had been requested following a number of staffing changes at the Town Hall. In light of these changes and the proposed new bespoke booking system, the application and booking payment processes were mapped end to end to identify potential efficiency savings or changes to working patterns.

The mapping process did identify issues with the current manual procedures in place, however with the imminent introduction of a new on-line events booking system due consideration was given to the additional features of the application which could enhance the events management as detailed in the outcomes report shared with the Cultural Services Manager and her team.

A post implementation review of the new system and re-designed process will be factored into the 2019/20 Internal Audit Plan.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****30th July 2018****PUBLIC SECTOR INTERNAL AUDIT STANDARDS**
INTERNAL AUDIT CHARTER

OPEN	
CABINET MEMBER	Cllr. Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension No. 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 - Internal Audit Charter ~ Updated Appendix 2 - Outline of Core Changes to the UKPSIAS

1. PURPOSE OF REPORT

The purpose of this report is to inform Member of the updates to the Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards {UKPSIAS} revised from April 2016 and April 2017 and 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. RECOMMENDATIONS

The Audit Committee is asked to APPROVE the updated Internal Audit Charter as attached at Appendix 1.

3. BACKGROUND

3.1 The Internal Audit Charter was approved by the Audit Committee in March 2014 following the adoption of the 2013 UK Public Sector Internal Audit Standards. The standards were revised with effect from April 2016, and these changes were noted by the Audit Committee at its meeting of 26th September 2016.

3.2 The Standards are mandatory for all internal auditors working in the public sector and the work of the WFDC Internal Audit Team is governed by the UK Public Sector Internal Audit Standards. The Internal Audit Charter was updated following the changes to the standards in 2016. The amendments to the Standards in 2017 are mainly minor in nature, with the provision of clarification on certain standards by the inclusion of additional text and more detailed interpretation of the standards as an aide memoir to Chief Audit Executives¹ when assessing service delivery against the standards. There are two additions to the 2017 standards to cover:-

➔The Chief Audit Executive Roles Beyond Internal Auditing;

¹ For WFDC This is the Audit Manager as the recognised Head of Audit

➔ Impairment to Independency or Objectivity

3.3 Compliance with the UK Public Sector Internal Audit Standards are a requirement of the Accounts and Audit Regulations 2015.

4. KEY ISSUES

4.1 The standards require the Council to have an Internal Audit Charter which must be approved by the Corporate Leadership Team and the Audit Committee and formally define the purpose, authority and responsibility of the internal audit activity.

4.2 The proposed Internal Audit Charter is contained in the Appendix, and has been updated, to take into account revisions to the standards in 2017 as summarised in the additional Appendix. This update also takes account of the recommendations arising from the mandatory external assessment of the Internal Audit Service required under the UK Public Sector Internal Audit Standards as outlined in the table below. Track changes are shown so members can readily see proposed revisions.

Standard	Observation	Recommendation
<p>1000 ~ Purpose, authority and responsibility</p>	<p>Standard 1000.AI 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</p> <p>Standard 1000.CI 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</p> <p>Standard 1010 The Charter refers to the Core Principles and the Code of Ethics but gives no details regarding what these encompass</p> <p>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</p>	<p>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</p> <p>Set out the Core Principles and Code of Ethics in the Charter, explaining how audit delivers against these</p> <p>Highlight that audit has no responsibility to identify frauds</p>

5. FINANCIAL IMPLICATIONS

5.1 The costs of the Internal Audit section are provided for in the Council’s approved budget.

6. LEGAL AND POLICY IMPLICATIONS

6.1 The requirement for an internal audit function is contained within Section 151 of the Local Government Act 1972 that requires local authorities to “make arrangements for

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the proper administration of their financial affairs". The Council has delegated these powers to the Chief Financial Officer as provided in the Council's Constitution.

6.2 More specifically the Accounts and Audit Regulations 2015 {2[5]} states that :

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

7. 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 and ensures the governance, risk and control frameworks are working effectively. The Internal Audit Charter ensures that the Council complies with best practice as required by the UK Public Sector Internal Audit Standards.

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

9. CONCLUSION

9.1 This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service. The Internal Audit Charter {Appendix} has been updated for the amendments UK Public Sector Internal Audit Standards and the recommendations arising from the external assessment of the Internal Audit Service.

10. CONSULTEES

10.1 Corporate Leadership Team.

10.2 Cabinet Member for Resources

11. BACKGROUND PAPERS

Accounts and Audit Regulations 2015 (SI 817)

UK Public Sector Internal Audit Standards ~ April 2017

30th May 2018 Audit Committee ~ External Assessment of WFDC Internal Audit Team



INTERNAL AUDIT CHARTER

July 2018~~November 2016~~

The UK Public Sector Internal Audit Standards refer to the terms, Chief Audit Executive, the Board and Senior Management. For the purposes of this Charter, the Chief Audit Executive is defined as the Audit Manager (Head of Audit), the “board” as the Audit Committee and “Senior Management” as the Corporate Leadership Team.

The Internal Audit Service has been established by the Council as a key component of its governance framework. A professional, independent and objective Internal Audit Service is one of the key elements of good governance as recognised by the UK Public Sector. This Charter provides a framework for the conduct of Internal Audit in Wyre Forest District Council and recognises the mission of Internal Audit “to enhance and protect organisation value by providing risk based and objective assurance, advice and insight¹”.

The key provisions of this Charter are:-

Internal Audit Service

The Council’s internal audit service is an independent, objective assurance and consulting activity designed to add value and improve the Council’s operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This is delivered through formal approval by the Corporate Leadership Team (Senior Management) and Audit Committee (The Board) of the Annual Internal Audit Plan.

Independence & Objectivity {Standard 1100}

In order to provide impartial and unbiased assessment of Council’s operations, the internal audit service must be seen to be independent. Internal Audit ~~must~~ will have no operational responsibilities in the areas they audit. It shall be free to review the arrangements of any aspect of service delivery, finance or governance.

The objectivity, impartiality, integrity and conduct of the Internal Audit Team must be above reproach at all times with Internal Audit maintaining the highest level of professional objectivity when undertaking their role.

Authority {Standard 1000}

The Internal Audit Team report to the Corporate Leadership Team through the Section 151 Officer. Internal auditors are authorised to have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Audit Manager considers necessary to enable the Internal Audit Service to meet its responsibilities. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.

Confidentiality

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for the conduct of internal audit activities. The Audit Manager as Head of Internal Audit and individual audit staff (including contractors and external service providers performing work on behalf of internal audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work with due regard to GDPR.

Reporting

Written reports will be issued by the Audit Manager as Head of Internal Audit following the conclusion of each internal audit assignment.

Quarterly monitoring reports will be presented to the Corporate Leadership Team and the Audit Committee summarising work completed.

An annual report will be presented to the Corporate Leadership Team and the Audit Committee no later than the date at which the Council’s annual governance statement is approved, to include a formal audit opinion on the Council’s internal control environment.

¹ UK Public Sector Internal Audit Standards 2016

Purpose of Internal Audit and Statutory Requirements

The Accounts and Audit Regulations 2015 Regulation 5 state:

“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”..”

The internal audit service forms part of the assurance framework for the Council and has been established to:

- ⇒ Provide independent, objective assurance to the Council arrangements for managing and controlling its operations, both financial and operational.
- ⇒ Assist the Council through Managers to add value, ~~to improve~~improving the delivery of the Council’s objectives and operations through evaluating and challenging the effectiveness of risk management, control and governance processes.

Internal audit will review the systems of internal control operating throughout the authority and provide an independent and objective opinion to the Council on the degree to which the internal control environment supports and promotes the achievement of the Council’s objectives. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.

It is the responsibility of Managers to ensure adequate controls are in place in their areas of responsibility. This responsibility includes the duty to continuously review internal controls and ensure that they remain fit for purpose and operationally effective. Internal controls are to ensure systems meet their objectives in a secure, efficient and well ordered manner. Internal audit is not a substitute for this but its role is complementary in providing managers with information, professional advice and independent assurance as to the adequacy of their internal control processes.

Professionalism

The Internal Audit Team will govern itself by adherence to the UK Public Sector Internal Audit Standards (UKPSIAS).as required by the Accounts and Audit Regulations 2015 and all codes and polices operated by Wyre Forest District Council and the seven principles of public life.

The Internal Audit Team must conform to the Code of Ethics contained in the UK Public Sector Internal Audit Standards supported by any additional requirements placed on them by any other professional body that they are members of.

The Internal Audit Team will work in accordance with the ~~and~~ Core Principles for the Professional Practice of Internal Auditing:-

<u>Demonstrates integrity;</u>
<u>Demonstrates competence and due professional care;</u>
<u>Is objective and free from undue influence {independent};</u>
<u>Aligns with the strategies, objectives and risks of the organisation;</u>
<u>Is appropriately positioned and adequately resourced;</u>
<u>Demonstrates quality and continuous improvement;</u>
<u>Communicates effectively;</u>
<u>Provides risk based assurance;</u>
<u>Is insightful, proactive and future focused;</u>
<u>Promotes organisational improvement.</u>

-Non conformance with the UK PSIAS shall be reported to the Corporate Leadership Team and the Audit Committee and included within the annual report.

Relationship with Members & Senior Management

Audit Committee

The Accounts & Audit Regulations 2015 require the Council to “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”.

The Council has established an Audit Committee and specifically delegated to it responsibility for “ensuring there are effective arrangements for the system of internal audit of the Council.”

The Audit Manager must report to the Audit Committee and establish effective communication with free and unrestricted access to the Chair of the Audit Committee [in relation to the delivery of the Internal Audit Plan, the Internal Audit Report and periodic updates of Internal Audit work to include to discuss](#) any matters or concerns that have arisen from the work of the Internal Audit Team.

Corporate Leadership Team

The [Corporate Director: Resources](#) ~~Chief Financial Officer~~ as Section 151 Officer and a member of the Corporate Leadership Team has management responsibility for the delivery of the Internal Audit Service.

The Audit Manager in their role as Head of Internal Audit will ensure that the Section 151 Officer is briefed without delay on any matter coming to the attention of Internal Audit that could have a material impact on the finances of the Council, and/or matters involving fraud or malpractice.

Internal Audit shall maintain effective relationships with all managers of the Council, and timings of internal audit reviews will be in consultation with the appropriate manager.

Independence & Objectivity {Standards 1100/1110}

In order to provide impartial and unbiased assessment of Council’s operations, the internal audit service must be seen to be independent of those operations. Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. [All members of the Internal Audit Team will act with due professional care ensuring that they are fair and objective.](#) They must have a impartial, unbiased attitude when making a balanced assessment of all the relevant circumstances and avoiding a conflict of interest by ~~not being~~ unduly influenced by their own interests or by others in forming judgments, [abiding by the professional standards.](#)

[Internal Auditors are often](#) ~~If auditors are extensively~~ consulted during system, policy or procedural development. [This is good practice as it enable feedback to be made on potential control weaknesses and therefore ensures that systems, policies and procedures are adequate prior to their introduction.](#) Where their independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and or the following financial year after their involvement.

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The Audit Manager as Head of Internal Audit is responsible for the delivery of the Internal Audit Service and will confirm to the Audit Committee annually, the organisational independence of the internal audit service. It is acknowledged that being an in-house team within the Council, Internal Audit can not be wholly independent of all management. Internal Audit's independence therefore, will be achieved through its status within the organisation, and that the Audit Manager has no other responsibilities other than the Internal Audit function.

Since 2017 a Service Level Agreement has been entered into with the Mercian Educational Trust for the provision of Internal Audit Services. In addition, the Internal Audit Team provide an internal audit service to the Kidderminster Town Council. It is considered that neither of these activities impair the independence of the Internal Audit Team as the reporting lines fall outside of the Council's corporate management.

Should the independence of Internal Audit be impaired or appear to be impaired, the Audit Manager will ensure the Audit Committee are aware.

Authority & Confidentiality {Standards 1000}

Internal auditors shall have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Audit Manager as Head of Internal Audit considers necessary to enable the Internal Audit Service to meet its responsibilities. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities which allow for Internal Audit to:-

- enter, at all reasonable times, any land, building, vehicle or plant owned or used by the Council
- have access at all times to all records, documents or correspondences, including any stored by mechanical, electric or electronic means relating to the affairs of the Council
- possess or to take copies of any record, document or correspondence
- require any information and explanation from any member or employee of the Council concerning any matter under examination
- require any employee or member of the Council to produce records, cash, stores or any other property under his/her control.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. The Audit Manager as Head of Internal Audit and individual audit staff (including contractors and external service providers performing work on behalf of internal audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

The Internal Audit Team may also undertake special reviews, provide independent advice such as consultancy which is commissioned work requested by Management. In planning this work, the Audit Manager will ensure the Internal Audit Team maintain its objectivity and independence. The impact on the Audit Plan of undertaking any commissioned work will be reported to the Corporate Director: Resources and where appropriate the Audit Committee.

Internal Audit do not have responsibility for the prevention and detection of fraud or corruption. Managers are responsible for ensuring appropriate procedures are put in place to prevent and detect fraud. Internal Audit however, should always be alert to and aware within their work of risks and exposures that could lead to or indicate fraud and corruption. The Corporate Fraud Officer is aligned to the Internal Audit Team. Financial Regulations require that instances of suspected fraud/irregularities must be reported to the S151 Officer

and/or Internal Audit. Internal Audit and/or the Corporate Fraud Officer will investigate any instances of fraud and corruption being perpetrated by any employee of the Council. Where relevant, Internal Audit will advise and assist Managers in any investigation.

Internal Audit Management {Standard 2000}

For management matters, the Audit Manager will report to the Corporate Director: Resources ~~Chief Financial Officer~~ as Section 151 Officer

The Audit Manager as Head of Internal Audit is responsible for the day to day management of the Internal Audit Team and will

- effectively manage and deliver the internal audit service in accordance with this Charter.
- prepare a strategic annual audit plan based on risk to provide assurance and an internal audit opinion on the Council's services and activities as outlined in the Corporate Plan and Risk Register.
- accept proposed consulting engagements based on the engagements potential to improve management of risk, add value and improve the Councils operations with time included within the annual audit plan
- in consultation with the Section 151 Officer, review and adjust the plans as necessary, in response to changes in the Council's risks, operations, programs, systems and controls.
- present an annual report to the Corporate Leadership Team and the Audit Committee on the Council's internal control environment.

Internal Audit's resources.

The Audit Manager in consultation with the Corporate Director: Resources ~~Chief Financial Officer~~ will

- ensure that there is sufficient resource requirements to enable an effective internal audit service to be provided and meet the annual audit plans.
- Bring to the attention of the S151 Officer any resource issues which may adversely impact on the provision of the annual internal audit opinion.
- ensure that all audit work is completed to high standards and in accordance with the ~~definition of~~ internal auditing Mission, code of ethics and the standards including the practices and procedures as set out in the internal audit manual.
- undertake an annual review of the development and training needs of the internal ~~auditors staff~~ and arrange for appropriate training to be provided to ensure they can fulfil their duties and that levels of competence are maintained via the use of continual professional development.
- To assist in any audit or investigation requiring detailed specialist knowledge, ensure access to appropriate specialists either from other internal or external sources.
- put in place arrangements that ensure internal audit is notified of all suspected or detected instances of non welfare fraud, corruption or impropriety; and in conjunction with the Corporate Fraud Officer, promote a counter fraud culture within the Council.
- establish effective relationships with managers at all levels.

Role and responsibilities {Standards 2100/2200/2300}

To support the Annual Governance Statement, ~~Internal~~ audit reviews shall examine and evaluate the adequacy and effectiveness of the Council's governance, risk management, and internal control processes. This shall be achieved via a programme of work:-

- to appraise the soundness of the internal controls system;
- the extent to which the systems of internal control ensure compliance with current policies and procedures;
- the safeguards from losses arising from fraud, irregularity and/or corruption;

→ where appropriate to investigate frauds or significant breaches of the internal control system:

The programme of work will comprise:-

- **System/Risk Based Audits** – examination of the system’s integrity and control, compliance with legislative requirements, as well as with the Council’s Constitution. ~~For example corporate financial systems including payroll, creditors.~~ These reviews will influence the Audit Manager’s opinion on the adequacy and effectiveness of the control environment, based on the areas examined.-
- **Regularity/Annual Assurance Audits** – examination of transactions for accuracy, validity and compliance with financial regulations and standing orders. These reviews will influence the Audit Manager’s opinion on the adequacy and effectiveness of the control environment, based on the areas examined.-
- **Advice and Consultancy**
 - Ad-hoc ~ this work will comprise responding to queries from colleagues which are normally relatively small pieces of work taking no more than 2-3 hours to complete;
 - Consultancy ~ this work is more detailed than the provision of ad-hoc advice and will take longer to complete. Consultancy engagements will follow a formal request from Management to Internal Audit to look at an area or provide more detailed advice for example changes to processes to ensure adequate controls are built into the systems or a review of a minor control failure. Consultancy engagements are classified as commissioned work and can range from a day to several weeks and will be with the approval of the Audit Manager to ensure that any work
 - ~~which will contribute to the opinion on the adequacy and effectiveness of the control environment, providing advice on:~~
 - ◆ ~~Financial and non-financial procedures of the Council~~
 - ◆ ~~New systems developments~~
 - ◆ ~~Training on best financial practices~~
 - ◆ Commissioned requests from Management that adds value and improves governance, risk management and control processes all to support management in their work.
- **Computer Audit** ~ Internal audit of all ICT policies, procedures and systems to include ICT Governance. Input into the development of ICT systems and associated procedures.
- **Contract Audit** ~ Review of contract procedures (capital and revenue) ensuring compliance with the law, specifications and internal regulations.
- **Fraud, and Irregularity and Special Investigations** – Investigation of instances of suspected financial malpractice, fraud or irregularity to include the National Fraud initiative. These are more detailed reviews into control failures, suspected breaches of financial regulations, fraud & corruption or other disciplinary offences where misuse of council assets has been identified.

Reporting and Monitoring {Standards 2400}

Internal Audit Reports

The reporting structure is intended to assist Management to fulfil their objectives of delivering services and contributing to the overall aims and objectives. Outputs can range from formal written reports to informal advice.

At the conclusion of a review, a report will be issued to the appropriate Manager and/or lead officer regarding:-

- [The Audit Manager is responsible for the content of all written reports issued by the Internal Audit Team and the audit opinion provided to Management and those charged with governance.](#)
- Audit findings and draft recommendations which will be discussed prior to issuing the draft audit report
- The draft audit report which will contain a summary of the quality of the control system and detailed observations and recommendations [where risks and non effective control processes require management action](#); include an overall assurance opinion [but not provide absolute assurance](#) on the adequacy of the governance, risk and control processes.
- The final audit report incorporating the manager’s comments on the recommendations made; identify issues of good practice and an indicative timescale for corrective action.
- Three months after the issue of the final audit report internal audit will assess the implementation of the recommendations previously made and report as necessary and issue a 3 month follow up report.
- [Responsibility for the response to advice and recommendations arising from internal audit reports sits with Managers who either accept and implement or formally reject accepting the risks involved in doing so.](#)
- [The Audit Manager will be responsible for reviewing the implementation of the recommendations.](#)

Internal Audit recommendations will be categorised/ranked in terms of significance. Audit recommendations will be classified in accordance with the definitions as detailed below. The level of assurance that internal audit can give on the operation of internal controls within a system being reviewed will be classified in accordance with the following definitions as detailed in the table below.

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

Reporting to the Audit Committee {Standard 2500}

During the course of and at the close of each financial year, The Audit Manager shall present to the Audit Committee:-

- Quarterly monitoring reports to the Committee on actual progress compared to the approved audit plan of the Internal Audit Team, to include internal audit observations and recommendations and management comments on the implementation of recommendations and summarising the assurances given for completed audits as presented to the Audit Committee;
- An annual outturn report summarising the overall results for the year and to support the Council's Annual Governance Statement as a key source of assurance to and includes an opinion of the overall adequacy and effectiveness of the Council's control environment.

Quality and Assurance & Improvement Programme

The UKPSIAS require both internal and external assessments of the Internal Audit Service. Internal assessments should be on going and periodical, whilst external assessments must be undertaken at least once every 5 years.

Internal Assessments:-

The Audit Manager will develop and maintain a Quality Assurance and Improvement Programme (QAIP) in accordance with the UK Public Sector Internal Audit Standards. The QAIP will form the basis of the annual review of internal audit and will be supported by
The quarterly monitoring reports, will be supported by and the annual report on the effectiveness of internal audit to meet the requirements of the Account & Audit Regulations 2015. The outcome will be reported to the Corporate Leadership Team and the Audit Committee.

The outcome of the review and any resulting action plan will be reported to the Audit Committee with a statement to confirm conformance to the standards. An action plan may be developed as a result of the QAIP to improve the levels of conformance to the standards.

External Assessments:-

The Audit Manager in consultation with the Section 151 Officer will arrange for an independent review of the efficiency and effectiveness of the internal audit service to be undertaken at least every 5 years. The Section 151 Officer will act as the sponsor to agree scope and nature of the external review with the Audit Manager. The outcome of the review will be reported to the Corporate Leadership Team and Audit Committee.

Relationships with external audit and other assurance activities

Internal Audit will establish and maintain an open relationship with the External Auditor and any other assurance provider. Copies of all audit reports are made available to the Council's External Auditors. Where services are provided under contract or partnership arrangements, then these should allow appropriate access for Internal Audit to those matters relating to the Council's business. This includes areas where the Council acts as the Accountable body.

Review of the Charter

The Audit Manager in consultation with the Section 151 Officer will review the Internal Audit Charter every 3 years and report the outcome to the Corporate Leadership Team, prior to formal approval by the Audit Committee.

Standard	Evidence of Change	Extract from UK PSIAS
1110 {A1} Organisational Independence	Additional wording {italicised in bold}	The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. <i>The chief audit executive must disclose such interference to the board and discuss the implications.</i>
1112 Chief Audit Executive Roles Beyond Internal Auditing	New Section Added	Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. Interpretation: The chief audit executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organisational independence of the internal audit activity or the individual objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.
1130 {A3} Impairment to Independence or Objectivity	New Section Added	The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.
1210 Proficiency	Additional wording {italicised in bold}	Interpretation: <i>Proficiency is a collective term that refers to the knowledge, skills, and other competencies</i> required of internal auditors to effectively carry out their professional responsibilities. <i>It encompasses consideration of current activities, trends and emerging issues, to enable relevant advice and recommendations.</i> Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organisations.
1300 Quality Assurance & Improvement Programme	Additional wording {italicised in bold}	Interpretation: A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. <i>The chief audit executive should encourage board oversight in the quality assurance and improvement programme.</i>

Standard	Evidence of Change	Extract from UK PSIAS
1312 External Assessments	Additional wording {italicised in bold}	<p>External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. <i>The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.</i></p> <p>An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs. <i>The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.</i></p>
1320 Reporting on the Quality Assurance and Improvement Programme	Additional Text Added	<p>Disclosure should include:</p> <ul style="list-style-type: none"> → The scope and frequency of both the internal and external assessments. → The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. → Conclusions of assessors. → Corrective action plans.
2050 Co-ordination and Reliance	Addition	<p>Interpretation:</p> <p>In coordinating activities, the chief audit executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the chief audit executive should consider the competency, objectivity and due professional care of the assurance and consulting service providers. The chief audit executive should also have a clear understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services. Where reliance is placed on the work of others, the chief audit executive is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.</p>
2060 Reporting to Senior Management and the Board	Addition	<p>The chief audit executive's reporting and communication to senior management and the board must include information about:</p> <ul style="list-style-type: none"> → The audit charter. → Independence of the internal audit activity. → The audit plan and progress against the plan. → Resource requirements. → Results of audit activities. → Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues. → Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organisation.

Standard	Evidence of Change	Extract from UK PSIAS
2200 Engagement Planning	Additional Text {Italicised}	<p>These and other chief audit executive communication requirements are referenced throughout the Standards.</p> <p>Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. <i>The plan must consider the organisation's strategies, objectives and risks relevant to the engagement.</i></p>
2210 {A3} Engagement Objectives	Addition	<p><u>Interpretation:</u> Types of Criteria may include:</p> <ul style="list-style-type: none"> ➔ Internal (e.g. policies and procedures of the organisation). ➔ External (e.g. laws and regulations imposed by statutory bodies). ➔ Leading practices (e.g. industry and professional guidance).
2230 Engagement Resource Allocation	Addition	<p><u>Interpretation:</u> Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the engagement. Sufficient refers to the quantity of resources needed to accomplish the engagement with due professional care.</p>

Glossary

Chief Audit Executive = Audit Manager

Senior Management = Corporate Leadership Team

The Board = Audit Committee

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****30th July 2018****COUNTER FRAUD ARRANGEMENTS 2018~19**

OPEN	
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APPENDIX	Pro-Active Anti Fraud Rolling Action Plan

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update Members on the Counter Fraud arrangements in place looking back for 2017~18 and forward for 2018~19

2. RECOMMENDATION

The Audit Committee is asked to consider and note:-

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

3. BACKGROUND

- 3.1 Resource for counter fraud arrangements with the Council rely primarily on the work of the Compliance Officers within the Revenues & Benefits Team, and the Corporate Fraud Officer aligned to the Internal Audit Team. Service Managers do have a responsibility for ensuring appropriate procedures are in place to prevent and detect fraud.
- 3.2 The Council continue to commit these resources to tackling fraud to protect the public purse and also with the knowledge that it is facing significant financial challenges and therefore important that the Council minimises losses caused by fraud. All sectors are at an increasing risk of fraud and corruption and these risks are growing as fraudsters become more aware of the possibilities for committing fraud against public sector bodies. With Councils finding smarter ways of working, often embracing new technologies, new technology provides digital access to more sophisticated fraud techniques.
- 3.3 As previously reported progress continues to be made on raising awareness to demonstrate the commitment of the Council to tackling fraud and protecting the public purse. The main focus of the awareness campaign is to improve understanding of the effects of fraud.

4. **KEY ISSUES**

4.1 No frauds have been detected within the Council during 2017~18. The Council will continue to work on prevention and deterrence. However there was an unsuccessful fraud attempt to obtain council funds via a corporate procurement card. The suspicious activity had been detected by the Council's Bankers Fraud Team who had stopped the corporate card and contacted the employee who confirmed that the transactions had not been made by himself. In accordance with Council procedures, the Finance Team and Corporate Fraud Officer were also advised. There was no loss of funds to the Council.

On a separate occasion where an employee was concerned that the details from a corporate credit card had been noted by a member of the public, the incident was immediately reported to the Finance Team, Corporate Fraud and the Council's Bank with a stop placed on the card. There was no loss of funds to the Council.

4.2 To demonstrate commitment, the Council reviewed its own arrangements against the Fighting Fraud & Corruption {Local Government Strategy 2016~19} Agenda. In addition, in response to a paper from the Department for Communities and Local Government, now the MHCLG, raising concerns around the vulnerability of public procurement to organised crime, the Corporate Leadership Team recognised the advantages of information sharing and agreed to the Corporate Fraud Officer working more collaboratively with other public bodies. This collaborative working is still very much in its infancy, proving challenging in establishing data sharing arrangements.

4.3 The aim of the Fighting Fraud & Corruption Locally Agenda was to increase the prevention and detection of fraud and aid the recovery of funds to help ease the constant financial pressures on Council's

4.4 The core principles are:-

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

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

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

4.5 The Council continues to ensure a culture is maintained where fraud and corruption is unacceptable and where everyone, including Members and Employees have a part to play in its eradication.

4.6 Having an embedded anti-fraud approach across the Council is critical to its success. The Council already have adequate effective counter fraud arrangements in place which are continually under review, to allow for the Council to improve on the effectiveness of counter fraud arrangements and keep them updated to reflect new, particularly technology based challenges.

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

4.8 OUTCOMES
CORPORATE FRAUD

4.8.1 As part of the Corporate Fraud Team campaign, there are regular information alerts in the staff e-magazine Wyred Weekly and also on the information screens in Wyre Forest House to further embed an anti fraud culture across the Council. These alerts arising from data sharing by external fraud agencies, the National Anti Fraud Network of which the Council is a member and the National Fraud Intelligence Bureau.

WYRED WEEKLY	OUTLINE OF FRAUD ALERTS
05.07.17	National Anti Fraud Network -Ticketing Fraud
12.07.17	Fraud & Cyber Crime ~ How To Prevent Falling Victim
09.08.17	Protect Your ID ~ A Growing Activity for Fraudsters
13.09.17	Student Loan Fraud ~ Phishing Scam ~ Attempt to Steal Identities
01.11.17	Identity Fraud ~ Be Alert To Keeping Your Personal Details Secure On Line
06.12.17	Christmas Fraud Alert ~ Purchasing on the Internet ~ What to be Aware of
07.12.17	Christmas Identity Fraud - put on TV screens
24.01.18	Debt Collection and Bailiff Fraud ~Phantom Debt Collectors
31.01.18	Sainsbury's Voucher Fraud ~ Distribution of fake Sainsbury Gift Vouchers by E-mail
14.02.18	National Fraud Intelligence Bureau Alert Debt Recovery & Immigration
21.02.18	Flight Ticket Fraud ~ Attempt to Entice Victims who are looking for Cheap Flights
28.02.18	Ghost Broking ~ Attempt to Sell Fraudulent Car Insurance Scam Car Insurance
14.03.18	Neighbourhood watch news letter
21.03.18	Cash Machine Fraud ~ Spot the Signs ~ Has the ATM been tampered with!
18.04.18	On-line Market Place Fraud ~ Bogus Buyers via On Line Sites {Refund Scam}
09.05.18	World Cup Ticket Fraud ~ Don't Fall Foul of Fraudsters
16.05.18	Discounted TV Subscription Fraud by Cold Calling to Obtain Payments
22.05.18	The Top 8 Frauds in 2018
11.07.18	Credit & Debit Card Fraud ~ How to Protect Your Details On ~ Line

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

REPORTED TO TEAMS	NATURE OF FRAUD ALERTS
20.06.17	National Anti Fraud Network-Vishing & mandate fraud shared with the Accountancy and Housing Benefits Team
27.06.17	National Anti Fraud Network-Ticketing Fraud shared with the TIC & Town Hall Teams
28.07.17	National Anti Fraud Network-mandate & Invoice fraud shared with the Accountancy Team
01.08.17	Procurement Card Fraud alert sent to all employees (aimed at procurement card holders).
11.08.17	National Fraud Intelligence Bureau monthly Alert shared with WF20 members and the Audit & Accountancy Teams
11.08.17	National Anti Fraud Network alerts-council tax & NNDR refunds and commercial register shared with Accountancy and Revenues team
11.08.17	National Fraud Intelligence Bureau Seminar fraud shared with HR and Audit Teams
11.08.17	National Fraud Intelligence Bureau Tax Rebate fraud shared with Revenues and Audit Teams
16.08.17	CIPFA - Credit Card fraud alert shared with Revenues, Housing Benefits, Accountancy & Audit Teams
07.09.17	Lloyds bank report re Vishing Scam shared with the ICT Team
08.09.17	National Anti Fraud Network-Mandate Fraud shared with the Accountancy Team

REPORTED TO TEAMS	NATURE OF FRAUD ALERTS
08.09.17	National Anti Fraud Network- 5x5x5 intel alert shared with the Housing Benefits Team
14.09.17	"BlueBorne"- A Bluetooth Virus~ Shared with the Corporate Director: Resources and the ICT Team
03.11.17	Cyber Attack 'Live' Reporting shared with the Director of Resources and the ICT Team
07.12.17	System Administration Access Rights shared with the Corporate Leadership Team and System Administrators
05.01.18	Cipfa ~ On Line Resource ~ Risk of Fraud & Corruption in Procurement shared with Corporate Leadership Team and Accountancy
08.02.18	Take Five Fraud Poster to be put on TV screens ~ Stop & Think ~My Money?, My info? I Don't Think So. National Fraud Intelligence Bureau Alert Debt Recovery & Immigration shared with the Corporate Leadership Team,, Revenues & Housing Benefits, Accountancy & Audit and HR Teams
16.03.18	Independent Supplier Bank Account Checks shared with Accountancy Team
28.03.18	Cold Callers For Insulation- Neighbourhood watch Alert shared with Revenues, Benefits & Customer Services Manager
13.04.18	Magazine Advert Debt Alert~ forwarded neighbourhood alert to Revenues, Benefits & Customer Services Manager & Principal Systems Officer
30.04.18	Access Alert sent to System Administrators/Data Owners , Corporate Leadership Team, Data Protection Officer
04.05.18	Hacking Fraud sent to Head of Strategic Growth and Principal Environmental Health Officer
07.06.18	Lloyds Bank Scam Email ~ sent to Accountant requested that alert is forwarded to all corporate card holders
21.06.18	Procurement Fraud in the Public Sector ~ Sent National Fraud Authority document to Financial Services Manager and Assistant Accountant as an aide-memoir as there has been a recent personnel change

4.8.3 For the financial year 2017~18, the Corporate Fraud officer dealt with 72 reported potential attempted frauds. The majority of these related to suspicious emails received in various council email accounts from unknown/unidentifiable sources. The emails are logged and forwarded to the Counter Fraud Team at the City of London Police who monitor fraudulent activity to identify trends and stop further activity. Where an email is in relation to a bank or other financial institution, these emails are also shared with their own counter fraud teams.

For the first 3 months of 2018~19, there have been 18 reports to the Corporate Fraud Officer of suspicious activity, of which 16 were emails from unknown sources.

4.8.4 Fraud awareness is also raised throughout a pro-active poster campaign across the Council sites and is supported by a dedicated intranet page for easy access by Members and Employees. In addition, an external workshop to support the work of the Corporate Fraud Officer was attended by the Corporate Leadership Team, Senior Managers and those employees with day to day financial and procurement responsibilities. The external training was provided by the Council's bankers and was led by the Commercial Banking Fraud Manager for Lloyds Banking Group. The training focused on cyber crime.

4.8.5 There is also in place a Pro-active Anti Fraud Plan {Appendix A}, which is a rolling document of actions taken against identified work streams for both the Compliance Officers and the Corporate Fraud Officer.

4.9 NATIONAL FRAUD INITIATIVE

4.9.1 The Council continues to contribute to the National Fraud Initiative which involves national data matching using a range of council data sets including payroll,

accounts payable, licences, and insurances, and this is supported by housing benefit data which is provided by the DWP {Department for Work & Pensions}.

- 4.9.2 The Cabinet Office is responsible for the National Fraud Initiative. The exercise is undertaken every 2 years, with the following data sets to be submitted in October 2018.

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

Prior to release of the data matches for the Council the matches are risk assessed with a requirement to review those identified as significant. It is a resource intensive exercise, and previously resource has been aligned to reviewing those matches involving housing benefit cases to national data sets and completed by the Compliance Officers. These matches result in potential outcomes for action and recovery of public money where fraud and/or error have occurred.

- 4.9.3 Those matches arising from the submission of the payroll and creditors are reviewed by the Corporate Fraud Officer.
- 4.9.4 Progress against those matches identified for review by the Council will be reported following the completion of the exercise as these statistics form the national picture of the fraud landscape.

4.10 COUNTER FRAUD AND CORRUPTION TRACKER

- 4.10.1 In addition to the National Fraud Initiative, the Council also voluntarily participates in the Cipfa Fraud & Corruption Tracker Survey as a contribution towards the national statistics for fraud and error as identified within public organisations. The national survey enables practitioners to share best practice and focus on trends and emerging risks. Excluding housing benefit fraud, the survey collates and estimates the total figures for fraud across England, Scotland and Wales.
- 4.10.2 Whilst adult social care fraud has shown the largest growth in the past year, this area along with procurement and council tax single person discount are perceived as the three greatest fraud risk areas.

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

- 4.10.3 For the Council, the Compliance Officers have also completed an in house review of single person discounts for people in receipt of benefits. An external Credit Reference Agency was used: the cost of £3,500 was funded by Worcestershire County Council.
- 4.10.4 In the Council's submission for the Cipfa Counter Fraud and Corruption Tracker for the financial year 2017/18 the following case load with values were identified in respect of council tax frauds:-

Cases Investigated Detected/Prevented	Council Tax Reduction	Council Tax Single Person Discounts	Other	Total	2016/17
Total Number	66	142	8	216	-
Total Value	£42,337	£43,764	£5,505	£91,606	£82,119

- Council Tax Reduction e.g. where the council tax payer falsifies household income to qualify for support;
- Council Tax Single Person Discounts e.g. where the council tax payer falsely claims to be an eligible single occupier to receive 25% discount;
- Other e.g. claims for exemptions or discounts to which the council tax payer has no entitlement.

Council tax fraud has always been the largest reported issue for local authorities. In comparison, as reported to the Audit Committee in July 2017, additional income of **£82,119** had been identified through reviewing entitlement to the various discounts, exemptions and student charges.

4.10.5 The Compliance Officers will continue to work to protect and increase the tax base by regularly reviewing discounts and exemptions across all applicable households for 2018/19.

Business Rates

4.10.6 Business rates is an emerging issue in respect of the fraud landscape and, to support this, the Cabinet Office are currently undertaking a pilot exercise around Business Rates data with a view to including within the mandatory National Fraud Initiative. In respect of the Business Rates for the Council, as part of the collation of data for the Cipfa Counter Fraud and Corruption Tracker, a total of 5 cases with a value of £25k were identified. These related to businesses applying for small business rate relief, but upon checking their assessments, an assessment was already in place for elsewhere, which meant they could not qualify.

Procurement

4.10.7 Procurement within local authorities is perceived as one of the biggest fraud risks and fraudsters continue to adopt new methods of attempting to obtain public funds. Mandate fraud is one of the regular frauds committed against local authorities. The council has very detailed contract procedure rules to reduce the risk of fraud in this area. This was clearly evident regarding the incidents reported at 4.1. Detailed internal audit reviews of procurement card spend and capital contracts are also factored into the annual audit plan. Regular ad-hoc validation checks are completed by the Corporate Fraud Officer on any bank account changes to reduce the risk of potential mandate fraud.

Cyber Crime

4.10.8 As the public sector becomes more digital in terms of service delivery, cyber crime becomes a growing challenge with hacking the main method of attempting to infiltrate networks. Annual penetration tests are undertaken by the ICT Team to ensure that the council's networks {both internal and external} cannot be hacked and the Council remain compliant with the Government Public Service Network. The last penetration test was completed in January 2018. Whilst as with all public

services attempts were made to access the networks from unknown sources, none was successful.

5. FINANCIAL IMPLICATIONS

- 5.1 The financial implications arising from this report are as set out in Section 3, 4.10.4 and 4.10.5. The resource allocation for managing the Counter Fraud activity across the Revenues & Benefits Team and Internal Audit will be monitored to ensure this area is appropriately resourced.

6. LEGAL AND POLICY IMPLICATIONS

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

7. EQUALITY IMPACT NEEDS ASSESSMENT

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

8. RISK MANAGEMENT

- 8.1 Participation in national data matching exercises, such as the National Fraud Initiative, and compliance with best practice help to manage the risk of fraud across the Council. Working with third parties, the sharing of data and contributing to national surveys allows for the identification of fraud and error and emerging risks within the public sector. This will continue to form the basis of the work for the Corporate Fraud Officer the Council's accredited counter fraud specialist, who is aligned to the Internal Audit Team.
- 8.2 The Compliance Officer posts within the Revenues and Benefits Team will ensure compliance across Council Tax and Business Rates to maximise income and minimise losses thus reducing the risk of error and fraud. The Compliance Officers also fulfil the requirement for a "Single Point of Contact" between the Council and the DWP.
- 8.3 In addition, the Council's Internal Audit service is one element of the Council's assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit do not have responsibility for the prevention and detection of fraud or corruption. Managers are responsible for ensuring appropriate procedures are put in place to prevent and detect fraud. Internal Audit will cover fraud risk within the risk based audit plan, and be aware within their work of risks and exposures that could lead to or indicate fraud and corruption. Internal Audit and/or the Corporate Fraud Officer will investigate any instances of fraud and corruption being perpetrated by any employee of the Council. Where relevant, Internal Audit will advise and assist Managers in any investigation.

9. CONCLUSION

- 9.1 Whilst it is acknowledged that there will always be a risk of fraud and error within the Council, the outcomes outlined within this report demonstrate the Council's continuing commitment to a zero tolerance to fraud; and to maintaining an environment where fraud and corruption will not be tolerated. The Council will continue to manage the risk of fraud and further updates will be presented to the Audit Committee in due course.

10. CONSULTEES

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

Agenda Item No. 9
Appendix 1

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME
CORPORATE FRAUD			
Fraud Awareness	Maintain continuous review of Corporate Policies to ensure they remain fit for purpose.	Corporate Fraud Officer supported by Audit Manager	Future proofed documents formally available on the Council's intranet.
Fraud Awareness Training	Arrange for training material for employees and members to be available on the intranet and i-Learn Attendance at webinars	Corporate Fraud Officer supported by Audit Manager	Ensure Training Material remains relevant ensuring current fraud risks are covered and outcomes from webinars attended are disseminated to all colleagues and members. Monitor use/usefulness of material available.
CIPFA Code of Practice: Managing the Risk of Fraud & Corruption	Benchmark against the code to ensure the Council's response to counter fraud is in line with recommendations. Report outcomes to the Audit Committee.	Corporate Fraud Officer supported by Audit Manager	Affirm the Council's commitment to zero tolerance and ensure counter fraud arrangements are aligned to the code; provide assurance to the Audit Committee as part of an annual review.
National Fraud Initiative	Participate in the National Fraud Initiative {NFI} Ensure key activities are completed in line with the NFI timetable. Ensure matching results from the NFI exercise are promptly reviewed and appropriate actions taken.	Corporate Fraud Officer/Compliance Officers Audit Manager as Key Contact for WFDC	Fraud & Error identified and appropriate action taken. Identification of fraud risk areas. Provide a corporate level of assurance over anti fraud controls in place. Contribute to the national position on public sector fraud and report the key outcomes to the Audit Committee.
KNOWN FRAUD RISKS REMAINING SIGNIFICANT			
Procurement fraud risks to include use of corporate procurement cards; split contracts.	Joint working with the Internal Audit Team Liaise with Assistant Accountant {Procurement} to identify possible vulnerable areas & understand controls in place to mitigate against potential procurement fraud. Consider, scope and undertake pro-active anti fraud exercises.	Corporate Fraud Officer	Identify any vulnerable areas within the procurement activity and address to mitigate further risk exposure Building on awareness and resilience to fraud in this area. Review the use of corporate procurement cards {work with Internal Audit as part of the Annual Internal Audit Plan}

Agenda Item No. 9
Appendix 1

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME
Recruitment to include false identity; qualifications to gain employment access to services	Working with the Internal Audit Team and HR Manager to review procedures and identify controls in situ to ensure adequate vetting of employees to ensure employees have the right to work with that information given as part of any pre-employment checks is validated .	Corporate Fraud Officer	Identify any vulnerable areas within the recruitment activity and address to mitigate further risk exposure Have regard to any GDPR implications. Building on awareness and resilience to fraud in this area.
Internal Fraud ~ Any employee could, with a delegation of responsibility perpetrate fraud against the Council.	Working with the HR Manager to identify potential weaknesses allowing employees to commit fraud against the council. Consider, scope and undertaken pro active anti fraud exercises to include a review of overtime/expense claims{fraudulent claims; manipulation of the payroll system} and the time recording system {misuse of time and resources with employees undertaking person activities during working hours}.	Corporate Fraud Officer	Identify any vulnerable areas within the HR21 application for payment to employees and address to mitigate further risk exposure Building on awareness and resilience to fraud in this area and have regard to: GDPR implications; Vicarious liability in the event of a malicious data breach. To have in place safeguards {fit for purpose HR policies} to minimise the risks. Managers to be aware of their responsibility in preventing and/or identifying employee fraud by ensuring clear controls and separation of duties. Strong anti fraud culture to deter employees from committing fraud in the first instance.
Review of Gifts & Hospitality Register	Review and evaluate the extent to which the register is being utilised; whether fit for purpose and the nature of the activities/items being declared	Corporate Fraud Officer	Identification of areas where gifts and hospitality are not being recorded which may identify fraud and/or corruption where further investigation is necessary
Council Tax Discounts & Exemptions & Council Tax Reduction Scheme	Liaison with the Revenues Service Manager to review the risks of Council Tax fraud including discounts, exemptions and the local reduction scheme. Ensure there is a strategy for dealing with council tax frauds incorporating sanctions and prosecutions.	Compliance Officers	There is a policy in place for dealing with council tax fraud. Increase in income from a review of discounts, exemptions and the local reduction scheme.

**Agenda Item No. 9
Appendix 1**

ACTIVITY	ACTIONS	ESTIMATED RESOURCES	ANTICIPATED OUTCOME
	Consider outcomes from the NFI.		Take appropriate action where necessary.
EMERGING/INCREASING FRAUD RISKS			
Cyber dependent crime and cyber enabled fraud	Working with the Internal Audit Team & ICT Team as part of the computer audit reviews, review the arrangements in place for mitigating cyber attacks; division of funds, extraction of vulnerable data; false applications for services & payments. Make recommendations where cyber fraud risks are identified.	Corporate Fraud Officer/ICT Manager	Actions taken to mitigate cyber fraud in areas of identified vulnerability. Increase awareness of cyber fraud throughout the Council.
Business Rates	In liaison with the Revenues Service Manager, understand exemptions and undertake a review of the inspection procedure for occupied/void properties.	Compliance Officers	Income generation opportunities; increase in tax base. Mitigation of business rates fraud in WFDC.

Reviews to have regard for the National Landscape as identified by the:-

Mandatory National Fraud Initiative

Fighting Fraud Locally Agenda 2016~19

Cipfa Fraud & Corruption Tracker

Emerging Issues {Particularly in relation to Cyber Fraud}