

Open

# Audit Committee

## Agenda

6pm  
Monday, 25th March 2019  
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**

**Independent Person: Bodrul Zzaman**

### 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 Sian Burford, Assistant Committee Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732766 or email [sian.burford@wyreforestdc.gov.uk](mailto:sian.burford@wyreforestdc.gov.uk)

Wyre Forest District Council

Audit Committee

Monday, 25th March 2019

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

<b>Agenda item</b>	<b>Subject</b>	<b>Page Number</b>
<b>1.</b>	<b>Apologies for Absence</b>	
<b>2.</b>	<b>Appointment of Substitute Members</b>  To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
<b>3.</b>	<b>Declarations of Interests by Members</b>  In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered.  Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
<b>4.</b>	<b>Minutes</b>  To confirm as a correct record the Minutes of the meeting held on the 26 <sup>th</sup> November 2018.	5
<b>5.</b>	<b>Audit Update</b>  To receive an audit update from Grant Thornton.	10
<b>6.</b>	<b>Informing the Audit Risk Assessment</b>  To receive a report from Grant Thornton informing the Audit Plan Assessment.	26
<b>7.</b>	<b>The Audit Plan for Wyre Forest District Council</b>  To receive a report from Grant Thornton on the Audit Plan.	50
<b>8.</b>	<b>Certification Report</b>  To receive a report from Grant Thornton on the certification work for the year ended 31 <sup>st</sup> March 2018.	65

9.	<p><b>Internal Audit - Audit Plan 2019/20</b></p> <p>To receive a report from the Audit Manager informing members of the Internal Audit – Annual Audit Plan 2019–2020.</p>	67
10.	<p><b>Internal Audit Monitoring Report Quarter Ended 31<sup>st</sup> December 2018</b></p> <p>To receive a report from the Audit Manager informing Members of the Internal Audit Monitoring Report quarter ended 31<sup>st</sup> December 2018.</p>	85
11.	<p><b>Annual Governance Statement</b></p> <p>To receive a report from the S151 Officer which asks the committee to approve the progress against the Annual Governance Statement Action Plan 2017/18.</p>	98
12.	<p><b>Risk Management</b></p> <p>To receive a report from the S151 Officer which informs Members of the current Corporate Risk register and the Budget Risk Matrix.</p>	114
13.	<p><b>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</b></p>	
14.	<p><b>Exclusion of the Press and Public</b></p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

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

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,  
KIDDERMINSTER

26TH NOVEMBER 2018 (6PM)

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**Present:**

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

Bodrul Zzaman – Independent Person

**AUD.21 Apologies for Absence**

Apologies for absence were received from Councillor N Harris.

Councillor Webster entered the meeting at 6.02pm

**AUD.22 Appointment of Substitutes**

Councillor P Harrison was appointed as a substitute for Councillor Harris.

**AUD.23 Declarations of Interests by Members**

No declarations of interest were made.

**AUD.24 Minutes**

**Agreed: The minutes of the meeting held on 30th July 2018 be confirmed as a correct record of the meeting and signed by the Chairman.**

The Chair of the Committee welcomed Bodrul Zzaman, Independent Person, to his first meeting of the Committee. He advised that this appointment was a non-voting role although the Independent Person was welcome to take an active part in the meetings and contribute to the business of the committee.

**AUD.25 Audit Update Report**

Following an introduction to by the Chair of the Committee, the newly appointed Engagement Lead, Peter Barber, Audit Director of Grant Thornton (GT) gave a brief summary of his background and experience of working with the public sector. He said that he worked closely with the former Engagement Lead to the Council, Richard Percival, which assured continuity and that he was looking forward to working with Wyre Forest District Council.

The Engagement Lead, (GT) advised Members that the planning process for the 2018/19 had begun with detailed work to follow later. There would be meetings and workshops from which a plan would be developed and brought to the Committee for their consideration.

## Agenda item No. 4

In the meantime Grant Thornton would continue to hold regular discussions with the Corporate Leadership Team to inform the risk assessment for the 2018/19 financial statement and value for money audits.

The Engagement Lead (GT) introduced the external auditors' Audit Progress Report and Sector Update Report which also included a summary of emerging national issues and developments which could be relevant to Wyre Forest District Council.

Councillor Onslow asked about the frequency of meetings with the Corporate Leadership Team (CLT) and political leadership. The Corporate Director: Resources confirmed that there was a close working relationship with Grant Thornton with regular meetings and contact including quarterly invitations to CLT. She said that if there were innovative or new issues which could have a possible risk element to the audit, these were always referred early to ensure the technical team was involved if appropriate.

The Engagement Lead (GT) confirmed that all contact was encouraged and referred Members to the contact details on the Report.

Councillor Onslow asked about the financial resilience index proposed and consulted on by the Chartered Institute of Public Finance and Accountancy (CIPFA) and whether this council responded.

The Corporate Director: Resources confirmed that there had been a consultation response. There were some concerns about the proposals across the local government sector but there was some more work to be done and further details to be issued following the consultation process.

Independent Person Bodrun Zzaman asked for further information about the time-scales regarding the Fair Funding Review. The Engagement Lead (GT) advised that the current plan is for the new funding system to be in place from 2020-21 but the exact details and timetable are as yet unclear. The Corporate Director: Resources confirmed that this was the biggest unknown area in the Medium Term Strategy. The Council would expect to know more about 2020 on 6<sup>th</sup> December and Members would be advised when there was more information.

The Chair said that it was important that there was good communication between the Auditors, Councillors and Officers and expressed the Committee's appreciation for the Report.

**The Audit Update Report and the new Engagement Lead were noted by the Committee.**

### **AUD.26 Annual Audit letter for Wyre Forest District Council – 2017/18 Accounts**

Grant Thornton presented the Annual Audit Letter, confirming the findings of the audit of accounts for 2017/18. Issues arising from the audit of the accounts had previously been reported to the Committee and the certificate of audit closure/Audit Opinion had been issued on 30<sup>th</sup> July. It was confirmed that

## **Agenda item No. 4**

Grant Thornton had issued an unqualified Opinion. The Committee were advised that although the deadline had been brought forward, the final audit had gone well.

Members attention was drawn to the item Certification of Grants, mentioned within the Audit Letter. These would be completed by the end of November.

In conclusion it was noted that there had been a good level of cooperation between the external audit team and Council's officers including the finance team, throughout the audit process.

The Chairman expressed appreciation for the Annual Audit Letter and the work of retiring Engagement Lead (GT) prior to his hand-over. He commended the Council's officers who had assisted with the audit for their co-operation.

**The Annual Audit letter was noted by the Committee.**

### **AUD.27 Internal Audit Monitoring Report Quarter Ended 30<sup>th</sup> September 2018**

The Audit Manager/S151 Officer led the Committee through the Internal Audit Monitoring Report, for the quarter ended 30<sup>th</sup> September 2018, which indicated progress on the work being undertaken by the team. The Audit Manager said that overall it was very positive and drew Members' attention to the reviews with full assurance level and the more detailed summary of reviews in progress to indicate what the committee could expect over the next two quarters.

In response to a query from the Chairman regarding the spike shown for System and Probity work in the Year to Date performance figures against the Annual Plan, the Audit Manager confirmed this was seasonal and would be evened out by quarter 4.

Councillor Onslow raised a query regarding the number of recommendations made compared with the number implemented in respect of Elections and Electoral Registration 2017-18. It was confirmed that these would all be in place by the time of the elections in May 2019. The Audit Manager said that this was a cyclical audit looked at every 3 years but if that time gap were of concern, consideration could be given to revisiting this on a risk-basis, to ensure the Audit Committee were kept fully appraised.

Following an additional question from the Independent Member on the detail of the recommendations from the Elections review, the Audit Manager advised that the overview of this audit had been presented to the Audit Committee at the time of completion.

Councillor Webster sought clarification on the Comparison of Audit Consultancy and Advice figures over the previous three years. The Audit Manager confirmed that, these had been shown in this format, to put into context what had been looked into by the audit team in response to requests for assistance and clarification.

**Agreed**

**The internal Audit Monitoring Report for the Quarter ended 30<sup>th</sup> September 2018 as detailed in the Appendix to the report was considered and noted.**

**AUD.28 Quality Assurance Improvement Programme for the Internal Audit Service**

The Corporate Director: Resources introduced a report to the Committee on progress against the improvement plan in line with the external assessment of the Internal Audit Service, against the UK Public Sector Internal Audit Standards.

The Corporate Director: Resources advised the Committee that this was a new report where the Internal Audit Service is required to maintain a Quality Assurance Improvement Programme. She confirmed that this cost had been accounted for in the Council's approved budget.

The Audit Manager led the Committee through the two Appendices to the Report which set out the requirements for the Internal Audit Service to ensure performance and compliance against the standards is managed in a structured manner and outlines the procedures in respect of internal and external assessments. The Audit Manager led members through progress against the Action Plan 2018 that had been the outcome of the required independent external assessment of Internal Audit. The Audit Manager advised that the Internal Audit Service would continue to self assess and the outcome would be reported as part of the annual report to the Committee in May. The Audit Manager confirmed that external assessments needed to be conducted at least once every five years.

Councillor Onslow requested that in future, the Action Plan be rated with a red, amber, green (RAG) rating for ease of reference for the Committee to confirm when actions had been completed. The Audit Manager said she would do this.

The Committee noted that there were no major concerns arising in respect of this new Report.

**Agreed:**

**The Audit Committee approved the Internal Audit Quality Assurance Improvement Programme as attached at Appendix 1 of the Report.**

**The Audit Committee noted the update on the implementation of the actions arising from the External Assessment of the Internal Audit Service as attached at Appendix 2 of the Report.**

**AUD.29 Risk Management**

The Corporate Director: Resources led Members through the report which informed them of the current Corporate Risk Register and the Budget Risk Matrix. She advised that this was presented to Audit Committee twice a year as part of the overall governance framework and was reviewed regularly by CLT. She said that the Council's insurers were interested in the key risks; they

## Agenda item No. 4

always had a copy of the report and worked with the leadership team on key areas to mitigate risk.

The Corporate Director: Resources drew members to the cyber risk issues. She referred members to the Budget Risk Matrix at Appendix 2 (this is included in the MTFS) in respect of this. Members noted that there was less work involved when risk was being managed well. She referred to the Council needing to make informed decisions on the basis of risk and not necessarily being risk averse but risk aware, which was the objective of the Corporate Risk Register.

She also referred to the difficulty the Council experienced in achieving an appropriate percentage of affordable housing in new developments. She said this was a challenging area but not confined to this District Council.

She asked the Committee to accept her apologies and note a revision to page 65 of the Agenda: the first page of Agenda Item 9, Appendix 1, and the first mitigating action to CORPRISK01. The latest note under mitigating actions should say 50% complete not 0% as printed on that page.

There followed some discussion about the general ICT risks and the steps in mitigation of these. Members noted the concerns over network security, which continued to be very challenging with limited resources. The Corporate Director: Resources said there had been steady progress in this area.

It was noted that the overall picture was positive in the way the Council was managing risk, although concerns for the future remained around the funding gap and addressing fast-paced changes in ICT.

In response to queries raised, the Corporate Director: Resources confirmed there was currently no specific mention of Brexit within the Risk Register but she would consider adding this. She noted Members' concerns raised regarding out-of-district property investments (within the two LEPs' geography) and confirmed this as current council policy. She reiterated that risk was evaluated as part of the business case for each proposed acquisition, on which officers would explain risk when making recommendations to ensure Members were fully informed as part of the decision making process. She said that the Risk Register sought to mitigate risk but clearly could not remove all risk.

**Agreed:**

**The Audit Committee considered and noted the Corporate Risk Register and the associated mitigating actions as at 30<sup>th</sup> September 2018 and the 2018/21 Budget Risk Matrix.**

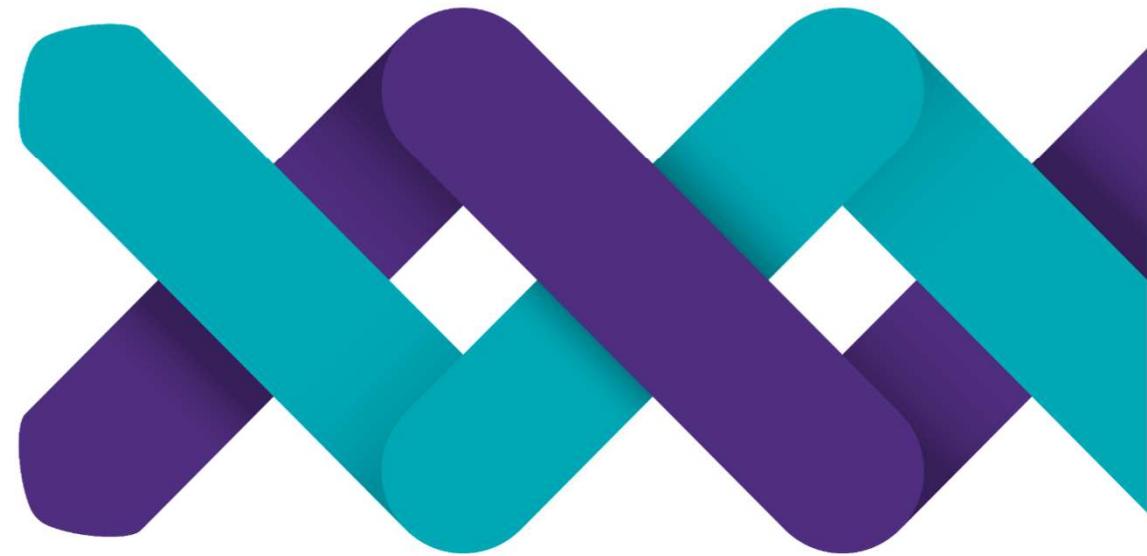
The Chairman expressed thanks to Grant Thornton for their services and the team who had worked together in a positive way. He extended the Committee's appreciation and good wishes to the outgoing Audit Lead, Richard Percival of Grant Thornton for his contribution.

**There being no other business, the meeting concluded at 7:06pm.**

# Audit Progress Report and Sector Update

Wyre Forest District Council  
Year ending 31 March 2019

March 2019



# Contents

Section	Page
Introduction	3
Progress at March 2019	4
Audit Deliverables	5
Sector Update	6
PSAA contract monitoring	14
Links	16

# Introduction



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

The paper also includes:

- PSAA contract monitoring arrangements and method statement
- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at March 2019

## Financial Statements Audit

We have completed our planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

As agreed with officers our first interim visit was undertaken during February and our second interim will be completed in mid-March. This visit focused on updating our understanding of the Council. In particular, we reviewed the control environment, started to document the key business processes and selected our samples for our early substantive testing. We also discussed with officers key issues from the prior year and emerging issues for 2018/19.

A key focus of this second interim visit will be early substantive testing. On conclusion of the second visit we will feedback to officers our findings and any matters to consider for the final visit.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan which we are presenting to this March committee.

We will continue our work on the Value for Money Conclusion in March. We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Meetings

We met with Finance Officers in February as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Peter has contributed to the Peer review process and was interviewed by the review team during February.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our most recent event was our Financial Reporting Workshop which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

### PSAA contract monitoring

- Wyre Forest District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts in 2018/19. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psa.co.uk](http://www.psa.co.uk).
- Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the attached presentation. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<p><b>Fee Letter</b> Confirming audit fee for 2018/19.</p>	April 2018	Complete
<p><b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.</p>	March 2019	Complete
<p><b>Interim Audit Findings</b> We will report to you any matters from the interim audit in our May updated report</p>	May 2019	Not yet due
<p><b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.</p>	July 2019	Not yet due
<p><b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2019	Not yet due
<p><b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.</p>	August 2019	Not yet due

# Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:



Public Sector



Local government

# Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

The report is available on the PSAA website:

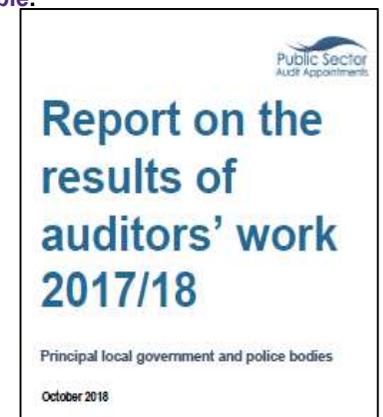
<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

**In 2017/18 Wyre Forest District Council prepared its accounts and an unqualified opinion was issued in line with the new statutory timetable.**

## PSAA Report

### Challenge question:

Has your Authority identified any further improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



# National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

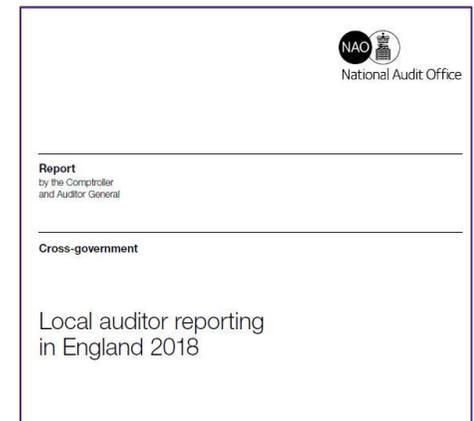
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



## NAO Report

### Challenge question:

Has your Authority responded appropriately to any matters raised in the External Auditor's report for 2017/18?



# National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

## NAO Report

### Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



# CIPFA – Financial Resilience Index plans revised

## The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

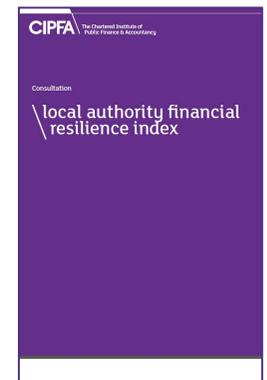
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

### CIPFA Consultation

#### Challenge question:

Have officers briefed members on the Council’s response to the Financial Resilience Index consultation?



# ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

## Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

## What's the problem?

- **Short-term solvency vs. Longer-term value:**
  - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

## Future financial viability of local public bodies

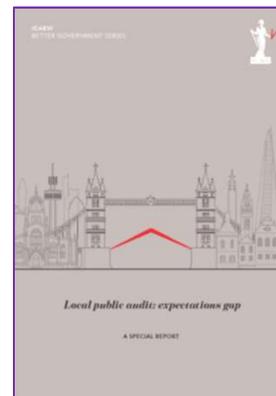
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

## The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



## The expectations gap

### Challenge question:

How effectively is the audit meeting your expectations?



# Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

## What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

## How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

# Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies. Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans. Clearly with the continuing uncertainty and lack of clarity around 'deal' and 'no deal' scenarios, it is extremely challenging for councils to plan effectively.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

## Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

## Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

## Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

## Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

**Your organisation** – including considerations on workforce, funding, and changes to legislation

**Your services and suppliers** – ensuring that critical services are protected and building resilience within supply chains

**Your place** – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

## Brexit

### Challenge question:

How well advanced are your authority's plans for Brexit?



## Our team

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Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

Audit 2018/19

*"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style."*

*Director of Finance, local audited body*



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GRT103867

## Grant Thornton in Local Government

### Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

### Our relationship with our clients – why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

### New opportunities and challenges for your community

#### The Local Government economy

Local authorities face unprecedented challenges including

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

### Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

### Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

### Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

### Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

### Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

### Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies

*"I have found Grant Thornton to be very impressive...they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."*

Director of Finance, County Council

# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

## National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

## Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/728722/BRR\\_Pilots\\_19-20\\_Prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf)

## Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

## Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

# Informing the audit risk assessment

## *Year ending 31 March 2019*

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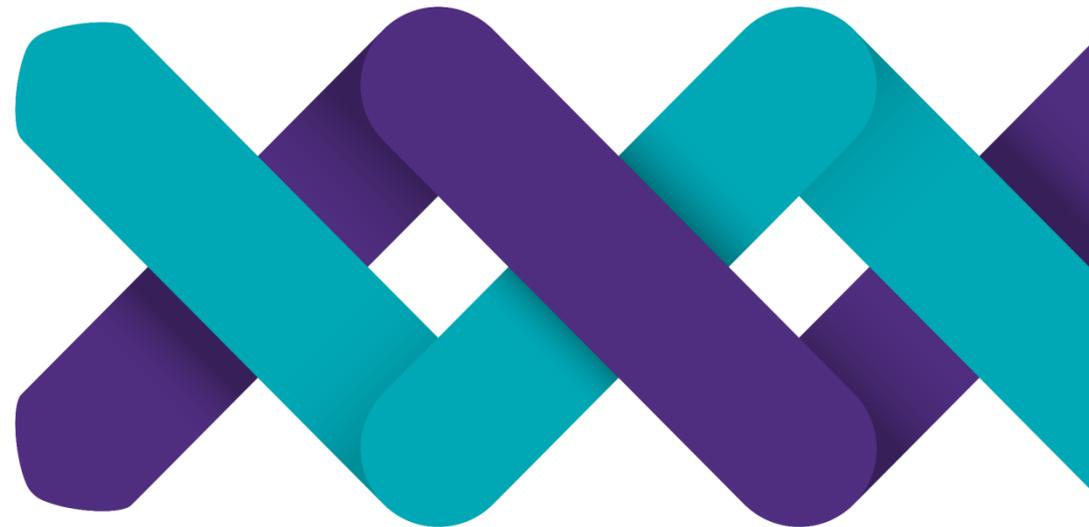
Wyre Forest District Council

March 2018

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# Contents

Purpose	3
Fraud	4
Fraud risk assessment	5-8
Laws and regulations	9
Impact of laws and regulations	10-11
Going concern	12
Going concern considerations	13-14
Related parties	15
Accounting estimates	17
Appendix A – Accounting estimates	18-23

# Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Audit & Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Governance Committee under auditing standards.

## Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit & Governance Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit & Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Governance Committee and supports the Audit & Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures, we are required to obtain an understanding of management processes and the Audit & Governance Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern
- related parties
- accounting estimates.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit & Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# Fraud

## Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Governance Committee and management. Management, with the oversight of the Audit & Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit & Governance Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

# Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>It is acknowledged that there is always a risk of fraud being committed against the Council. There is a zero tolerance towards fraud. Arrangements are in place to prevent and detect fraud, and these include the work of the Internal Audit to identify areas of risk including high profile areas of Council Tax and Housing Benefit Fraud. The risk of misstatement in the financial statements due to undetected fraud is low. The fraud resource within Internal Audit and Compliance Officers within the Revenues &amp; Benefits Team work to mitigate risk of fraud.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit take account of fraud risks in their planning of audit reviews, responding appropriately to fraud risks and enhancing controls further to protect against the risk of fraud. Compliance Officers take a proactive approach and regularly review Council Tax discounts and exemptions to minimise loss of income and reduce the risk of fraud.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> <li>■ Council Tax</li> <li>■ Benefit fraud</li> <li>■ Single person discount</li> </ul> <p>Following the transfer of the responsibility for Housing Benefit Fraud together with dedicated benefits investigation team to the DWP, Wyre Forest has invested in new resource to work on fraud/compliance in respect of local taxes/Council Tax Reduction Scheme within the Revenues and Benefits section. This work has been progressed in 2018/19 using funding from Worcestershire County Council for the second year to further combat collection fund fraud and increase the net collectible debit for both Council Tax and Business Rates. Whilst all preceptors will benefit from this as well as this Council the County takes the largest proportion, hence the funding and drive to work together</p>

# Fraud risk assessment

Question	Management response
<p>Do you suspect fraud may be occurring, either within the council or within specific departments?</p> <ul style="list-style-type: none"> <li>- Have you identified any specific fraud risks?</li> <li>- Do you have any concerns there are areas that are at risk of fraud?</li> <li>- Are there particular locations within the Council where fraud is more likely to occur?</li> </ul>	<p>There are no material instances of fraud that have been identified during the year. See above for specific fraud risks.</p> <p>Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Authority. The Internal Audit plan incorporates consideration of potential fraud. In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register. We do not consider that any material fraud is occurring. CLT considered the Home Office report exploring the threat of Serious and Organised Crime and agreed a schedule of actions to raise awareness and mitigate risk which is incorporated into the work of the Internal Audit team.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Yes Fraud Risks are included by Internal Audit in the planning process and Internal Audit act as an effective Internal Control</p>
<p>From a fraud and corruption perspective, what are considered to be high-risk posts? - How are the risks relating to these posts identified, assessed and managed?</p>	<p>There are not any significantly high-risk posts identified however Disclosure Scotland checks are undertaken as standard practice for all employees with access to personal or sensitive data.</p>

# Fraud risk assessment

Question	Management response
<p>How does the Audit &amp; Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What arrangements are in place to report fraud issues and risks to the Audit &amp; Governance Committee?</p>	<p>Internal Audit provide the Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken. These are considered at the committee where the external auditors also attend and may be asked to comment. Training covers this key area and the S151 Officer and the Audit Manager provide reports on compliance with auditing standards and internal controls. Risk is high on the Audit Committee agenda and the committee are briefed on key risks such as fraud prevention and detection in relation to the audit plan. Reports would be made on any specific cases of fraud with specific briefings to the Chairman and/or Vice-Chairman as appropriate. The Audit Committee are updated on the progress in respect of counter fraud arrangements, with an update to the Audit Committee in July 2018.</p>
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>There is a Fraud Strategy and a Whistle blowing procedure in place which explain the procedures to follow Both documents are available to all staff on the Council's intranet. The Confidential Reporting Whistle blowing Policy and Procedure forms part of the Conduct and Performance Management, HR guidance. The Fraud Strategy forms part of the Corporate Fraud suite of information which is referenced regularly within Wyred Weekly to ensure all staff and members are aware of their responsibilities.</p>
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>No significant issues have been reported. There is a Fraud Strategy and a Whistleblowing procedure both of which outline the procedures to follow. Corporate Fraud forms part of the roles within the Internal Audit Team to provide guidance and allow for reporting with a dedicated Corporate Fraud email address for reporting of concerns and any identified fraudulent attempts by email that have not been caught by the filtering software.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>No</p>
<p>Are you aware of any instances of actual, suspected, or alleged fraud either within the Council as a whole or within specific departments since 1 April 2017?</p>	<p>There are no material instances of fraud that have been identified during the year. There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> <li>■ Council Tax</li> <li>■ Benefit fraud</li> <li>■ Single person discount</li> </ul> <p>Following the transfer of the responsibility for Housing Benefit Fraud together with dedicated benefits investigation team to the DWP, Wyre Forest has invested in new resource to work on fraud/compliance in respect of local taxes/Council Tax Reduction Scheme within the Revenues and Benefits section which has proved successful to mitigate any risk and reduce the opportunities for fraud/error.</p>

# Fraud risk assessment

Question	Management response
<p>Are you aware of any whistle-blower reports or reports under the Bribery Act since 1 April 2017? If so how does the Audit &amp; Governance Committee respond to these?</p>	<p>None</p>

# Laws and regulations

## Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Governance Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the noncompliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The Monitoring Officer is responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that these responsibilities cover:</p> <ul style="list-style-type: none"> <li>• complying with the law of the land (including any relevant Codes of Conduct);</li> <li>• complying with any General Guidance issued, from time to time, by the Monitoring Officer;</li> <li>• making lawful and proportionate decisions; and</li> <li>• generally, not taking action that would bring the Council, their offices or professions into disrepute.</li> </ul> <p>This officer has access to all Council committee reports. The Monitoring Officer raises awareness on legal requirements at meetings where needed. In addition in terms of any specific legal issues the monitoring officer would get involved at an early stage. We have a suite of internal policies and procedures such as anti-bribery policy, anti-money laundering policy etc. Internal audit review adherence to regulations. The Monitoring officer reviews compliance with the Council's Constitution.</p>
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>The Monitoring Officer is a member of the Leadership team, reports regularly on key issues and liaises directly with the Head of Paid Service and would report to Council on any issues.</p>
<p>How is the Audit &amp; Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements. The Monitoring Officer (or representative) attends Audit Committee meetings and advises members on any areas of concern.</p>
<p>Have there been any instances of non-compliance or suspected non-compliance with law and regulations since 1 April 2017, or earlier with an on-going impact on the 2017/18 financial statements?</p>	<p>None</p>

# Impact of laws and regulations

Question	Management response
<p>What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>The Council for all litigation or claims takes external advice from Counsel on the strength of the Council's claim</p>
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Potential for claim against the construction contractors of Wyre Forest House still exists.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate noncompliance?</p>	<p>None</p>

# Going concern

## Matters in relation to laws and regulations

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

Going concern is a fundamental principle in the preparation of financial statements. Under the going concern assumption, a council is viewed as continuing in operation for the foreseeable future with no necessity of liquidation or ceasing trading. Accordingly, the Council's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business. A key consideration of going concern is that the Council has the cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

We have discussed the going concern assumption with key Council officers and reviewed the Council's financial and operating performance. Below are key questions on the going concern assumption which we would like the Audit & Governance Committee to consider.

# Going concern considerations

Question	Management response
<p>Does the Council have procedures in place to assess the Council's ability to continue as a going concern?</p>	<p>The Medium Term Financial Strategy (MTFS) together with the Capital Strategy and Treasury Management Strategy underpins the strategic, transformational and operational intentions for Wyre Forest District Council and forms part of the corporate strategic planning process. The Wyre Forest Forward Programme progress is monitored on an ongoing basis and reported to CLT, CLT/Cabinet and Group Leaders regularly to ensure savings required for the MTFS will be achieved. The Council faces uncertainty around the outcome of the Fair Funding and Business Rates Reform but has mitigated this as far as possible by prudent assumptions within the MTFS.</p>
<p>Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?</p>	<p>No</p>
<p>Are arrangements in place to report the going concern assessment to the Audit &amp; Governance Committee?</p>	<p>Specific going concern assessment reports are not taken to the Audit Committee. However, Council, Cabinet and the Cabinet Financial Strategy Advisory Panel consider reports including the MTFS that provide sufficient information, to be assured that the council is a going concern - when the accounts are approved. Also, Risk Register update reports including Risks directly related to MTFS, are reported to Audit Committee. The Annual Governance Statement is also considered and the Audit Committee receives regular progress reports against each issue.</p>
<p>Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?</p>	<p>The Financial Plan is closely aligned with the Council's Corporate Plan. The financial plan makes clear reference to the Corporate Plan as the basis for the financial considerations in setting the medium term budget. The financial assumptions are therefore consistent with the Corporate Plan. Reports in year are consistent with the budget set.</p>

# Going concern considerations

Question	Management response
<p>Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?</p>	<p>The financial plan considered explicitly the government changes in terms of grants, issued in Local Government Finance Settlement 2019-20. The plan sets out the likely implications of the Government’s Fair Funding Resources Review,, Business Rates Reform and other changes to local government finance as far as they are known and can be reasonably predicted. This Council was one of the first to develop and gain approval in May 2018 for a comprehensive Capital Strategy to comply with the latest MHCLG Guidance on Investments and MRP . Whilst the continued ambiguity in parts of the latest Guidance in particular is proving challenging ,and further clarification from CIPFA is expected, the Capital Strategy sets out this Council’s plans very clearly and Members have been fully appraised of planned activity and resultant risk.</p>
<p>Have there been any significant issues raised with the Audit &amp; Governance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>No</p>
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?</p>	<p>No</p>
<p>Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council’s objectives? If not, what action is being taken to obtain those skills?</p>	<p>Yes, whilst the individual recruited to the new position of Property Services Manager decided to move back to the private sector after 7 months, this skills gap was covered by external resource; initially via a call-off contract, whilst full procurement was undertaken. Successful recruitment has taken place for the new post of Commercialisation manager (fixed term contract )to drive income generation and this is proving to be effective.</p>

# Related parties

## Matters in relation to Related Parties

Local Authorities are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries);
- associates and/or joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related party considerations have been set out below and management has provided its response.

# Related parties

Question	Management response
<p>What controls does the Council have in place to identify, account for, and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> <li>▪ Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.</li> <li>▪ Annual return from Members and senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests.</li> <li>▪ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.</li> <li>▪ Review of related information with subsidiaries, companies and joint ventures, e.g. accounts.</li> <li>▪ Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation</li> <li>▪ Review of year end debtor and creditor positions in relation to the related parties identified.</li> <li>▪ Review of minutes of decision making meetings to identify any member declarations and therefore related parties.</li> </ul>
<p>Who have the Council identified as related parties?</p>	<p>The Council has identified Members, Senior Officers and their immediate family who have registered an interest/completed the declaration form, and there is a transaction that has the potential to control or influence the Council or the Council has the potential to control or influence the entity.</p>

# Accounting estimates

## Matters in relation to Accounting Estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. This objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identified the transactions, events and conditions that may give rise to the need to an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council are using as part of their accounts preparation: these are detailed in appendix 1 to this report.

The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

# Accounting estimates

Question	Management response
<p>Are management aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?</p>	<p>No, all the significant accounting estimates are reported in Appendix A.</p>
<p>Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?</p>	<p>Yes, management arrangements are suitable. The Final Accounts Closedown has regular Chief Officer reviews scheduled. Accounting Policies are reviewed annually with any changes reported to Audit Committee. Early dialogue with External Auditors is also undertaken where the impact of the accounting estimates are considered to be significant. The accelerated closedown may require the use of more estimates and in each case, the reasonableness of such estimates will be assessed and assurance provided for the External Auditors. The early closedown trial last year did not reveal any problems in this area.</p>
<p>How is the Audit &amp; Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?</p>	<p>As detailed above, regular reviews are undertaken during the Accounts Closedown process. Accounting Policies are reviewed annually with any changes specifically reported to Audit Committee.</p>

# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Accruals are estimated by reviewing goods and services received prior to the end of the financial year for which an invoice has not been received. This is achieved through careful attention to budgetary control and high degree of compliance with the purchase ordering system. We continue to accrue for all except the lowest value invoice (de minimis adopted is £1,000)	The date of receipt of the good and services is used in the estimation of the accrual together with the order value	No	The use of actual dates and known values minimises the degree of uncertainty. Where accruals have had to be estimated the latest available information has been used	No
Bad debt provision	A provision is estimated using a proportion basis of an aged debt listing.	The finance team use the aged debt listing to calculate the provision	No	Consistent proportion used across aged debt as per the Code of Practice also taking into account local knowledge	No
Overhead allocation	The Finance Team apportion central support costs to services based on agreed methodology	All support service cost centres are allocated according to an agreed policy	No	Apportionment bases are reviewed each year to ensure equitable.	No

# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	The Council follows the requirements of the CIPFA Code of Practice 2018-19 and obtains measurement from treasury consultants	Take advice from Finance (retained treasury advisors) professionals	Yes – Link Asset Services and Kind Shaxson for fair values on certificates of deposit.	Take advice from finance Professionals (retained treasury advisors)	No
Depreciation & Amortisation	Depreciation is provided for on property, plant and equipment with a finite useful life on a straight-line basis	Consistent application of depreciation method across assets	No	The length of the life is determined at the point of acquisition and is subsequently reviewed at revaluation .	No
Property plant & equipment valuations	Valuations are made by the internal valuer (local RICS/CIB Member) as well as external valuer in line with RICS guidance on the basis of 5 year valuations with interim reviews.	Council's Estates Surveyor notifies the external valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation in liaison with the Principal Accountant	Yes - Use the Internal and external local RICS/CIB Member	Valuations are made in-line with RICS guidance and the CIPFA code of Practice - reliance on expert	No

# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: - Buildings 50 years (or longer where certified by a qualified valuer) - Equipment/vehicles 7 - 10 years - Plant 10 years	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified)	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed by the Council's Estates Surveyor at each year-end as to whether there is any indication that an asset may be impaired.	Use the Internal local RICS/CIB Member for valuations.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No

# Appendix A - Accounting estimates

	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	S151 Officer makes the Assessment based on accounting code and information notified by Service Directors and Managers.	Services Directors and Managers notify the S151 Officer	No	This would be considered on individual circumstances	N/A
Defined benefit pension amounts and disclosures	The actuarial gains and losses figures are calculated by the actuarial experts. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Wychavon DC S151 officer sits on the pensions board; the Wyre Forest S151 provides cover and information is shared across Worcestershire treasurers. The Boards reviews assumptions used by the actuaries and actuaries also meet with all S151s to explain and justify the estimates and assumptions used. The Board/S151s provide rigorous challenge. The assumptions for WFDC and shared service pensions are considered independently to ensure that the assumptions are relevant and valid for each scheme.	Yes - The Authority are provided with an actuarial report by Mercers (LGPS) .	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field. The potential impact of Brexit has been discussed with the actuaries and will be factored into estimates as appropriate. The assumptions for WFDC and shared service pensions are considered independently to ensure that the assumptions are relevant and valid for each scheme. Opportunity is provided to vary assumptions where discussions reveal that they should be amended.	No

# Appendix A - Accounting estimates

	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non adjusting events - events after the Balance Sheet date	S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an unadjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect	Services Directors and Managers notify the S151 Officer	No	This would be considered on individual circumstances	N/A

# Appendix A - Accounting estimates

	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimation of appeals in relation to Business Rates	The S151 officers of the Worcestershire Business Rates Pool agree a methodology using but not solely relying on data from Analyse Local.	The Principal Revenues Services Manager extracts the appeals database from the VOA. Appeals provision is calculated, in liaison with the Principal Accountant. Comparisons are then made with the estimated provision as calculated by Analyse Local. Calculations and methodology are subject to Pool Member review.	No, calculations are carried out by Council Officers (Analyse Local calculations are only used for comparative purposes & Pool Member discussions)	Subject to regular Pool Member reviews. The dissolution of the current WBRP as at the 31 <sup>st</sup> March 2019 and associated final transactions will feature in the 2018-19 final accounts as WFDC is participating in the pan-Worcestershire 75% Business Rates Pool Pilot.	No

# External Audit Plan

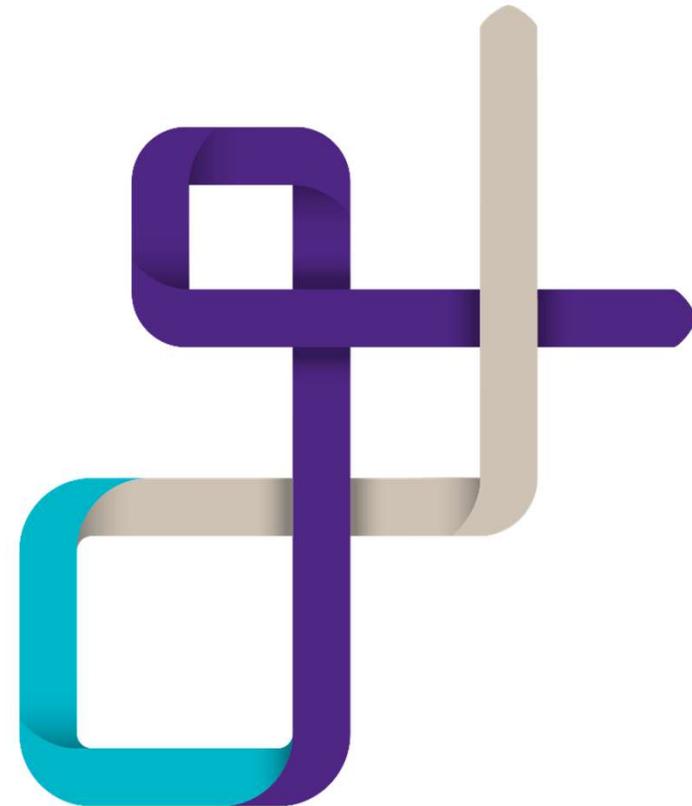
*Year ending 31 March 2019*

**DRAFT**

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

This draft has been created from the template dated DD MMM YYYY

Wyre Forest District Council  
February 2019



# Contents

# DRAFT



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**Section**

- 1. Introduction & headlines
- 2. Key matters impacting our audit approach
- 3. Significant risks identified
- 4. Other matters
- 5. Materiality
- 9. Value for Money arrangements
- 10. Audit logistics, team & fees
- 11. Early Close
- 12. Independence & non-audit services

**Page**

- 3
- 4
- 5
- 8
- 9
- 10
- 11
- 12
- 13

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

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Wyre Forest District Council Authority ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue cycle includes fraudulent transactions (this is rebutted, please see page 6)
- Management Override of Controls
- Valuation of the Pension Fund Net Liability
- Valuation of PPE

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1,070k (PY £980k) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £53k (PY £48k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Budget delivery and Future financial sustainability

## Audit logistics

Our interim visits will take place in February and March and our final visit will take place in May and June. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £37,681 (PY: £48,936) for the Authority, subject to the Authority meeting our requirements set out on page [12]

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Key matters impacting our audit

External Factors		Internal Factors	
<p><b>The wider economy and political uncertainty</b></p> <p>Local Government funding continues to be stretched with increasing cost pressures and demands from residents. The Council has recognised for some time its financial pressures and developed its Wye Forest Forward programme to generate more income and deliver substantial savings into the medium term.</p> <p>The latest budget monitoring reports at month 9 for the Council identifies a forecast overspend of £96k at the end of the 2018/19 financial year.</p> <p>Whilst the Council is not part of the West Midlands Combined Authority it continues to work with the County and districts in a number of areas, for example, the recent success in the application to participate in the 75% Business Rates Pool Pilot for Worcestershire.</p> <p>The Council has particular ambitions around economic development and regeneration. Future plans include regeneration of significant parts of Kidderminster town centre and investment in the depot site during 2018/19 and 2019/20.</p>	<p><b>Changes to the CIPFA 2018/19 Accounting Code</b></p> <p>The most significant changes relate to the adoption of:</p> <ul style="list-style-type: none"> <li>IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.</li> <li>IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.</li> </ul>	<p><b>New audit methodology</b></p> <p>We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.</p>	<p><b>Budget strategy</b></p> <p>In recognition of the reduction in central government funding, in addition to proposals to make reductions in expenditure, the Council is increasingly focussed growing the Council's income; for example renting some of Wyre Forest House to private companies.</p> <p>The budget strategy includes plans to borrow up to £35m to strengthen the Council's capital portfolio and to lend money to realise regeneration and housing projects.</p> <p>Governance and approval processes have been established and during 2018/19 around £9.2m has been invested in property with further acquisitions likely by the end of the financial year.</p>
Our response			
<ul style="list-style-type: none"> <li>We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion. Specifically, we will review delivery of your 2018/19 budget and the robustness of your Medium Term financial planning.</li> <li>We will review the budget reports during the year and consider the timeliness and accuracy relative to the outturn.</li> <li>Review the underlying savings programme and arrangements in place to manage delivery.</li> <li>We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.</li> <li>As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.</li> </ul>	<ul style="list-style-type: none"> <li>You will see changes in the terminology we use in our reports that will align more closely with the ISAs</li> <li>We will ensure that our resources and testing are best directed to address your risks in an effective way.</li> </ul>	<ul style="list-style-type: none"> <li>As part of our value for money work we will consider the robustness of the assumptions made in the medium term financial plan in respect to income from investments.</li> <li>As part of our opinion work we will review the accounting treatment and categorisation of these new acquisitions.</li> <li>We will consider any revisions to the capital investment strategy and compliance with guidance.</li> </ul>

# Significant risks identified – Revenue

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>The revenue cycle includes fraudulent transactions</b></p>	<p>Under ISA (UK) 240 there is a rebuttable 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.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Wyre Forest District Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Wyre Forest District Council.</p>	<p>No further work proposed as we have rebutted the risk.</p>
<p><b>Management over-ride of controls</b></p>	<p>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 therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>As part of our procedure we will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

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Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of pension fund net liability</b></p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>• Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>• Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary</li> <li>• Undertake procedures to ensure that the data sent to actuary are complete and accurate</li> </ul>

# Significant risks identified – PPE

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of land and buildings (Periodic revaluation with desktop valuation in intervening years)</b></p>	<p>The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, such as 2018/19, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation from it's internal expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£50m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>As at January 2019 £9.2m has been invested in property with further acquisitions likely by the end of the financial year. Such investments require judgement in terms of their categorisation and valuation.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer or obtain other confirmation on the basis on which the valuation was carried out to ensure that the requirements of the Code are met</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>• For new property purchases review the categorisation and valuation at year end.</li> </ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

## The concept of 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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

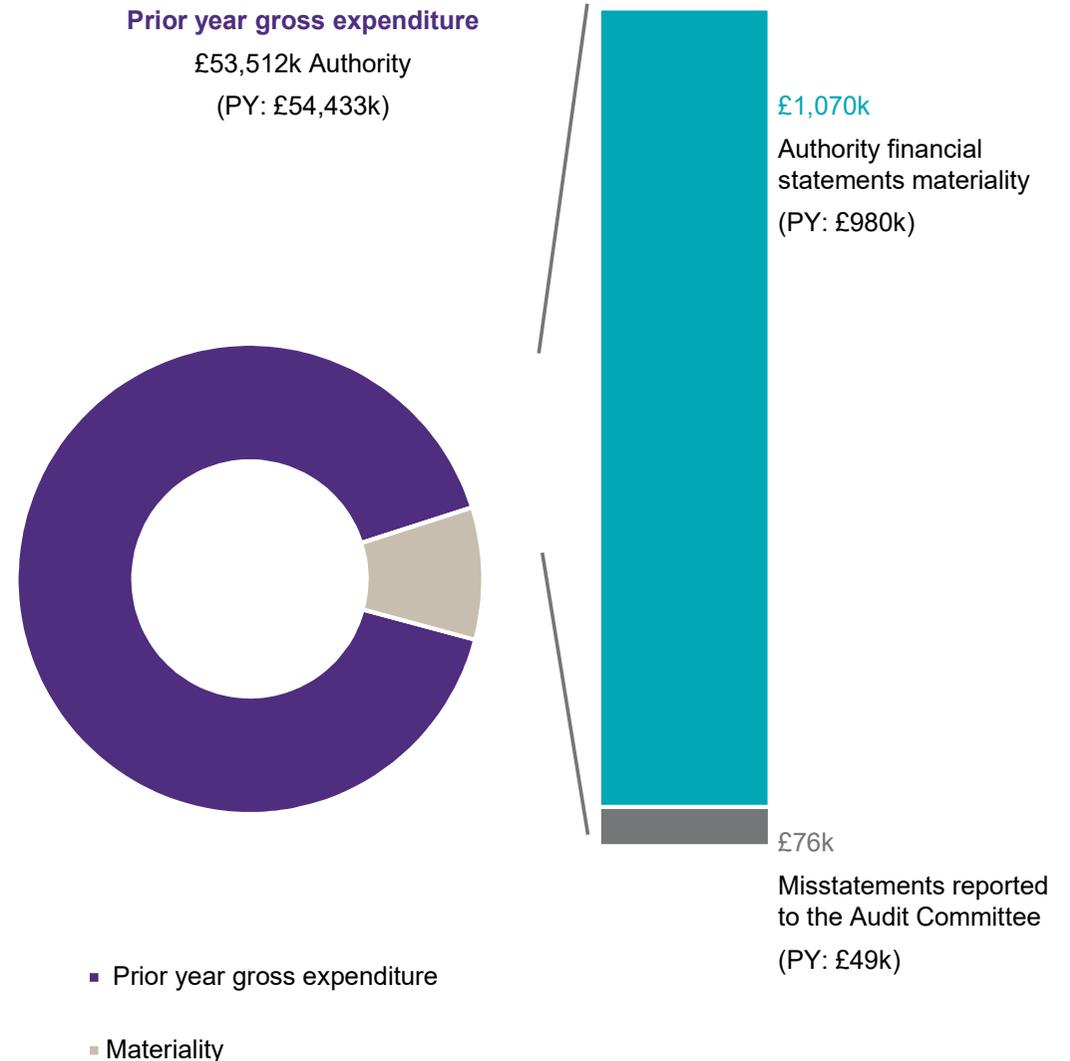
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1,070k (PY £980k) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be 2% of the total remuneration expense as a threshold for Senior Officer Remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £53k (PY £48k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

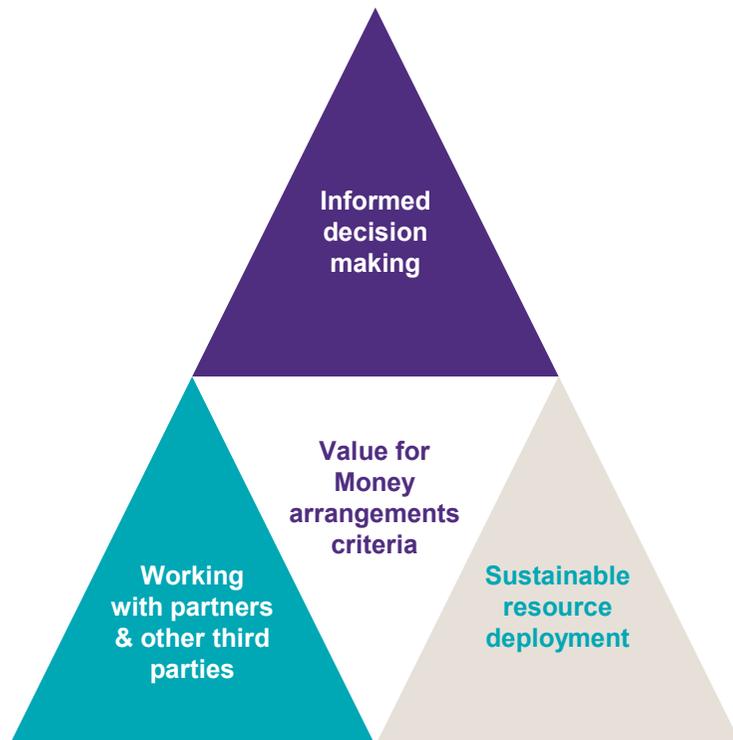
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

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:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Budget delivery and reserves management;

The Council's financial strategy recognises the financial pressures in the sector including reduced grant funding, changes in the new homes bonus and the aspirations to extend future capital portfolio acquisitions. Significant savings have been achieved over a number of years but there is more to do to ensure financial sustainability is maintained whilst providing capacity to deliver against your strategic priorities.

We will:

- review the delivery of the Council's budget for 2018/19
- Review the savings programme and the arrangements in place to manage delivery
- We will review the budget reports during the year and consider the timeliness and accuracy relative to the outturn
- Review the financial position of the council at 31 March 2019
- Review the capital strategy focussing on the changes to support the councils portfolio strategy and how these are reflected in the MTFP

DRAFT

# Audit logistics, team & fees



**Peter Barber, Engagement Lead**

Peter is overall responsible for the quality and delivery of the audit in line with the firm’s approach. He will liaise regularly with senior officers in the council. Pete will take responsibility for issuing the opinion on the accounts and the value for money conclusion



**Zoe Thomas, Audit Manager**

Zoe will take responsibility for managing the day to day delivery of the audit and dealing with any technical or other matters which arise in the course of our work. She will supervise and support Ellie in her role.



**Ellie West, Audit Incharge**

Ellie will be the key contact for the audit and will be on site during the interim and final accounts visits. Ellie will liaise with key finance officers to ensure that all are clear what information we require and agreeing a timetable. Ellie will undertake the key role and undertake much of the planning and final accounts work

**Audit fees**

The planned audit fees are £37,681 (PY: £48,936) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

**Our requirements**

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section ‘Early Close’. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

# Early close

# DRAFT

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct the audit in line with the timetable set out in audit plan (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing benefits grant	8,785	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,785 in comparison to the total fee for the audit of £37,681 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

# Appendices

**DRAFT**

**A. Audit approach**

# Audit approach

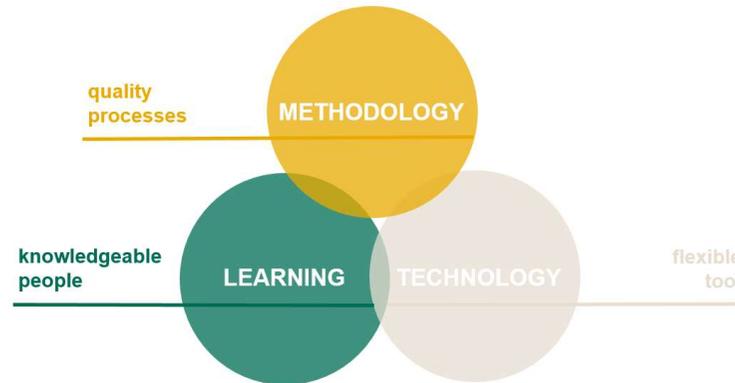
## Use of audit, data interrogation and analytics software

### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

### Appian



#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

### Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons



Our ref: zt/gt/ben1  
Your ref:

Tracey Southall  
Chief Financial Officer  
Wyre Forest District Council  
Wyre Forest House  
Fine Point Way  
Kidderminster  
DY11 7WF

11 March 2019

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**Grant Thornton UK LLP**  
The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT  
T +44 (0)121 212 4000  
F +44 (0)121 212 4014

Dear Tracey

## Certification work for Wyre Forest District Council for the year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by Wyre Forest District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £30.4 million. Further details are set out in Appendix A.

We identified some issues from our certification work which we wish to highlight for your attention. There was one error from the extended testing that we carried out on this year's subsidy return, which recurred from 2016/17. There was one new area where we identified errors. The extrapolated financial impact on the claim, which we have reported to the DWP, was insignificant compared to the total subsidy receivable.

As a result of the errors identified, the claim was qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £8,785 and we are proposing a fee in line with this

Yours sincerely

Grant Thornton UK LLP

**Appendix A - Details of claims and returns certified for 2017/18**

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£30,437,476	No	£n/a	Yes	See below

**Findings from certification of housing benefits subsidy claim**

**Rent Allowance – earned income**

From our sample testing we identified one underpayment of subsidy due to miscalculation of earnings and one case where the benefit had been incorrectly classified. No issues in relation to earned income were identified in the prior year.

**Rent allowance – statutory sick pay**

Two overpayments were identified in our testing due to errors in assessment. This is third year in succession we have reported errors in SSP.

**Rent allowance – Occupational Pension**

We identified two underpayments of benefit, one due to a keying error and another where earned income was incorrectly calculated

**Recommended actions for officers**

We recommend that the Council, as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing.

**Appendix B: Fees for 201718 certification work**

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£10,900	£8,785	£8,785	£nil	n/a
Total	£10,900	£8,785	£8,785	£nil	n/a

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**25<sup>th</sup> MARCH 2019****Internal Audit - Annual Audit Plan 2019-2020**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Councillor Nathan Desmond
<b>RESPONSIBLE OFFICER</b>	S151 Officer
<b>CONTACT OFFICERS:</b>	Tracey Southall Extension No 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a> Cheryl Ellerton Extension No. 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Internal Audit ~ Annual Audit Plan 2019~20

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit – Annual Audit Plan 2019–2020. The Plan has been prepared in accordance with the UK Public Sector Internal Audit Standards 2013, updated 2016 amended 2017.

**2. RECOMMENDATIONS**

**The Audit Committee is asked to:**

- 2.1 **Consider and approve the Internal Audit – Annual Audit Plan 2019~20, attached as Appendix 1.**
- 2.2 **Delegate any in-year amendments to the plan to the Section 151 Officer in consultation with the Audit Manager in light of developments arising during the year as described in paragraph 3.6 of this report.**

**3. BACKGROUND**

- 3.1 The management of the authority are obliged to safeguard and use public funds in an efficient and effective way and so providing value for money. An effective internal audit service is vital in helping management to meet these important duties. It is an independent appraisal function for the review of the Council’s internal control system.
- 3.2 The Internal Audit section operates in accordance with recognised Internal Audit Standards<sup>1</sup> which aim to promote further improvement in professionalism, quality, consistency and effectiveness of Internal Audit across the Public Sector.

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

<sup>1</sup> The UK Public Sector Internal Audit Standards (UKPSIAS) April 2013 {updated 2016}/{Amended 2017}..

And adds:

“The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. **Internal Audit** plays a vital part in advising the organisation that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work. The organisation’s response to internal audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisation’s objectives”.

- 3.3 The role played by Internal Audit is key in **assessing the internal controls** in operation and **making recommendations** for improvement, working in partnership **with management**. Further, the role assists in working with managers aiming for continuous improvement and provides assurance that the Council maintains an effective internal control environment and ensures that effective and efficient operations are maintained, safeguards its resources and provides assurance that the Council has good governance arrangements in place.
- 3.4 The UK Public Sector Internal Audit Standards set out the mission, definitions and principles (the **standards**) which establish how a professional internal audit service should operate in the modern local government context.
- 3.5 The annual plan is viewed flexibly and treated as a working document subject to amendment as required to reflect changing corporate conditions or demands as well as issues that may arise during the currency of the plan, which divert Internal Audit away from planned work.
- 3.6 The plan is therefore seen as a **statement of intent** and provides the direction of travel and a framework for audit engagements in the forthcoming year that can be amended as necessary without having a damaging effect on the overall direction of the internal audit service. The audit plan has been prepared in accordance with the Internal Audit Charter.
- 3.7 Performance of the service is **monitored** against this plan during the year by way of a quarterly monitoring report to this committee, to the Corporate Leadership Team and to the external auditors, in accordance with the Internal Audit, Quality Assurance & Improvement Programme as approved by the Audit Committee at its November meeting, to ensure on-going monitoring of the performance of the internal audit activity.

#### **4. KEY ISSUES**

- 4.1 The **Internal Audit Charter** requires:  
An audit plan be prepared based on risk to provide assurance on the council’s Services and activities in consultation with the S151 Officer and the Corporate Leadership Team.

The detailed operational plan will show how resources are to be allocated in the coming financial year in order to meet the requirements of the strategic plan.

## Agenda Item No. 9

- 4.2 As part of the preparations for this annual plan the Audit Manager has discussed with the Section 151 Officer and the Corporate Leadership Team their requirements for the forthcoming year for consideration for inclusion within the plan.
- 4.3 In order to ensure that the audit service cost is minimised to the authority the internal audit section work with external audit to ensure full liaison of planned internal audit work.
- 4.4 The Internal Audit – Annual Audit Plan 2019~20 has been prepared in accordance with recognised Internal Audit standards and considers many factors to provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.
- 4.5 The Annual Audit Plan should focus on areas where it can add most value and provide assurance that the Council's risks are being properly managed. In doing so, Internal Audit has a role in ensuring the Council achieves its strategic aims. In addition to this, the audit plan should be realistic and achievable.
- 4.6 The resignation of the Trainee Internal Auditor from December 2018 and more recently the resignation of the Senior Auditor/Corporate Fraud Officer has provided an opportunity to revisit the structure of the Internal Audit Team. As part of this review, the Internal Audit Service considered as a benchmark, costs incurred {details extracted from their 2017/18 Accounts} and the respective internal audit plans, of the other Districts within Worcestershire as part of the Worcestershire Internal Audit Shared Service to support the retaining of the Internal Audit Service in-house. Considered together with risk, the outcome has resulted in an overall resource reduction of 0.54 Full Time Equivalent. The mini restructure of the Internal Audit Team has been approved by the Corporate Leadership Team and has also provided for a modest on-going saving with provision for succession planning to future proof the Internal Audit Team. The revised structure is to be in place from 1<sup>st</sup> April 2019 and has provided for a full time Auditor to support the Senior Auditor and Audit Manager. The duties previously aligned to the previous corporate fraud role will be undertaken by the Audit Manager with support from the Senior Auditor.
- 4.7 The areas in the audit plan have been identified by an objective risk assessment. This has produced an overall needs assessment for the internal audit service of 394 days, a reduction of 55 available audit days. The reduction in available audit days from 449 to 394 is not detrimental to the proposed delivery of an Internal Audit Service for Wyre Forest District Council. The 2019~20 Internal Audit Plan has been prepared with consideration to balancing those areas subject to internal audit review with the available audit days. The realignment of available days is as follows:-
- System Reviews ~ Reduction of 40 Days {329 to 289}  
*The reduction in available days has been carefully managed with consideration to reviews completed during 2017~18/2018~19 and the internal audit opinion in respect of services where either Full Assurance has been provided or the services can be captured as joint reviews.*
  - Computer Audit Days ~ Reduction of 10 Days {40 to 30}  
*To include application reviews capturing permissions and access rights, and ensure consideration of the current risk of cyber crime.*

- Contingency for Consultancy & Advice ~ Reduction of 5 Days {30 to 25}  
*Following a review of time allocated against resource for 2018~19 realignment has provided for a small reduction in available days.*

4.8 In accordance with the Internal Audit Public Sector Standards, the Internal Audit Section must be appropriately staffed and qualified and undertake Continuing Professional Development to fulfil its role. The flexibility demonstrated by the Internal Audit Team since 2014 will continue, and allow the in-house team to satisfactorily meet any exceptional service needs as they arise, or to meet the need for an intensive investigation.

## **5. FINANCIAL IMPLICATIONS**

5.1 There are no direct financial implications arising from this report.

## **6. LEGAL AND POLICY IMPLICATIONS**

6.1 The Accounts and Audit Regulations 2015 regulation 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. RISK MANAGEMENT**

7.1 The Internal Audit - Annual Audit Plan 2019~20 has been prepared in accordance with the recognised Internal Audit Standards. This requires the plan to be informed by the Council’s risk management, performance management and other assurance processes. Where the risk management process is not fully developed or reliable an independent risk assessment is undertaken by the Audit Manager in consultation with the Section 151 Officer.

7.2 The restructure of the Internal Audit Team has been managed carefully in full liaison with CLT against the service need to ensure sufficient Internal Audit resource is retained. The reduced Internal Audit Team continues to work with the S151 Officer on a flexible basis and work additional hours if required to cover specific projects.

## **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 The Annual Audit Plan 2019~20 summarises the work to be undertaken by the Internal Audit section and provides its overall direction. It is presented to members in accordance with the Internal Audit Charter.

## **10. CONSULTEES**

10.1 Corporate Leadership Team  
Cabinet Member for Resources

11. **Background Papers**

Accounts & Audit Regulations 2015 (SI 314)

UK Public Sector Internal Audit Standards ~ April 2017

Internal Audit Charter {Updated} ~ Audit Committee ~ July 2018

Quality Assurance & Improvement Programme ~ November 2018



# INTERNAL AUDIT

*“Enabling Others To Do What They Need To Do”*

## INTERNAL AUDIT ANNUAL PLAN

### 2019 ~ 2020

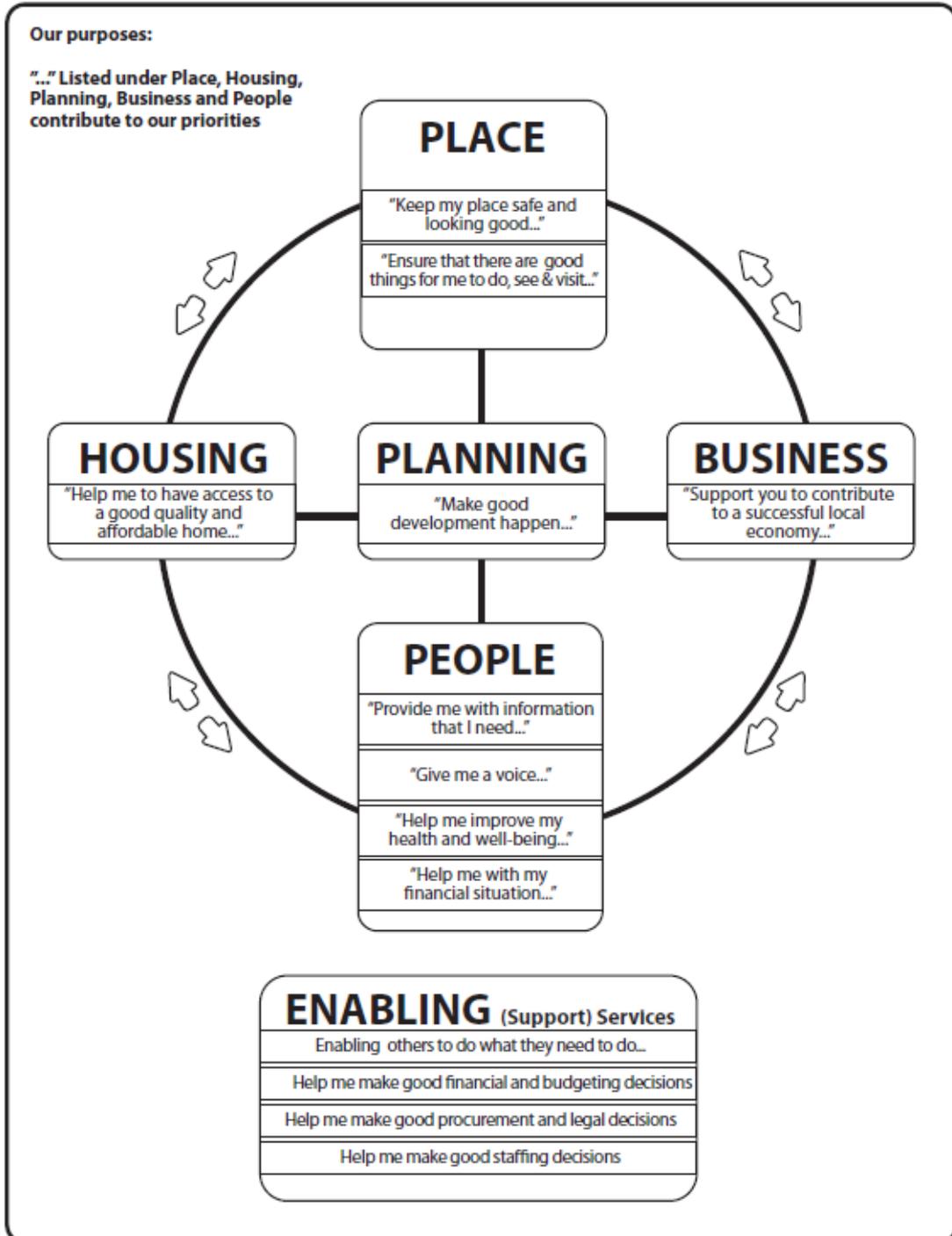
Wyre Forest District Council affects the whole community and therefore aims to deliver public services to meet the needs of the Community and provide value for money. This includes identifying smarter ways of working to ensure delivery of services the community want as underpinned by the principles of systems thinking, ensuring the Council can meet its outcome priorities and purposes as identified by the Wyre Forest Forward Programme.

**VISION:** Wyre Forest ~ where people have the opportunity to enjoy a good quality of life and want to live, work, visit and invest.

# WYRE FOREST FORWARD

Our Corporate Plan priorities 2014 - 2019:

- Support you to live in clean, green & safe communities
- Support you to contribute to a successful local economy



**WYRE FOREST DISTRICT COUNCIL**  
**INTERNAL AUDIT ANNUAL PLAN 2019 ~ 2020**

		<u>2019/20</u> <u>Days</u>
Systems and Probity	<b>NOTE 1</b>	249
Computer Audit	<b>NOTE 2</b>	30
Contract Audit	<b>NOTE 3</b>	25
<b>Sub-total Planned Work</b>		304
Consultancy and Advice {Audit Resource Set Aside}		
→Provide professional advice on emerging risks and issues		25
→Management Requests for ad-hoc commissioned work		20
Irregularity Contingency {Audit Resource Set Aside}		
→Provide advice and assistance on required investigations		20
Specific Service Duties	<b>NOTE 4</b>	25
<b>WORKLOAD/AVAILABLE DAYS</b>		<b>394</b>

**NOTES**

- 1 The days per service area are shown on Pages 75-79
- 2 An analysis of the areas covered is shown on Page 80-81
- 3 An analysis of the areas covered is shown on Page 82
- 4 A breakdown of the specific service duties follows on Page 83
- 5 An analysis of the available days is shown on Page 84

**OVERALL COMMENTS**

The areas in this plan have been identified by an objective risk assessment as denoted by “RA” in the attached pages.

The Audit Risk Assessment uses a number of factors to calculate a risk score and to provide a weighted assessment.. The resulting scores are branded into three risk categories and ranked to identify determine the audit universe for Wyre Forest District Council.

- High (Scores 70-100+)
- Medium (Scores 26-69 )
- Low (Scores up to 25)

AUDIT COVERAGE	RA	2019/20 Days	AUDIT SCOPE
Annual Assurance Reviews			
<b>CORPRISK04~FAILURE OF THE INTERNAL CONTROL ENVIRONMENT/UNABLE TO DELIVER A SUSTAINABLE BUDGET</b>			
<p><b>Treasury Management {Strategy; Reporting &amp; Reconciliations</b> (Risk: Failure to Maintain adequate controls over Key Financial Systems) <b>NB: No Issues with the daily processes, 2019~20 review will take a more strategic approach.</b></p>	32	8	<p><b>Assurance</b> Historically, good governance. Reviewed as impact of failure is significant. Scope will capture changes to the systems and procedures in place to manage the Council's Cash Flow and investments to maximise interest earned within the approved Treasury Management Strategy and consequent risk appetite. To review and ensure borrowing is managed in accordance with the Capital Strategy/ Medium Term Financial Strategy. Incorporating the new Council Policies on Development Loans Fund to help delivery of regeneration and economic development, and the capital portfolio fund, with Cabinet decisions of June &amp; September 2017. Have regard to the latest MHCLG Guidance on Local Government Investments, the statutory guidance on the minimum revenue provision and code of practice on Treasury Management and the Prudential Code.</p>
<p><b>Budgetary Setting, Control &amp; Monitoring</b> (Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) <b>NB: Budgets are approved by Council in February, 2019~20 review will considered budget monitoring by Service Managers in light of the Council's financial position.</b></p>	33	10	<p><b>Assurance</b> Historically, good governance. Reviewed as impact of an unsustainable budget will result in failure to meet the Corporate Priorities. Scope will capture changes to the systems and procedures around the Council's Budget Cycle; review the setting of financial goals, forecasting future financial resources to include the monitoring of budgets to feed into the Councils Medium Term Financial Strategy. financial records and the final accounts.</p>
<p><b>Accounts Receivable: Corporate Debtors {Compliance &amp; Reconciliations}</b> (Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) To include Property Debtors. <b>NB: With a more commercial approach 2019~20 review will review income generation, costing of work to ensure income streams are meeting their targets; pre-payment for services.</b></p>	51	10	<p><b>Assurance</b> Historically, good governance. Reviewed as an element of the general ledger that supports the annual statement of accounts; to provide a sound control environment processes must operate effectively. Scope will capture changes to the systems and procedures in place for the raising of accounts for services provided by the Council in respect of Miscellaneous Debts to include the monthly reconciliations and aged debt reports. Including follow up on change processes as part of the transformation programme. Including work in relation to the ICON cash receipting system and channel shift/digitalisation to generate increased external income. Income generation linked to the commercialisation agenda.</p>
<p><b>Benefits {Compliance &amp; Reconciliation}</b> (Risk: Failure to Maintain adequate controls over Key Financial Systems; to support an effective internal control environment This Service continues to be subject to significant change imposed by DWP and is under continuous review to align processes/systems. Team changes/ staffing restructures continue to meet the changing business need.) <b>NB: This is a critical system and on the whole well managed. 2019~20 will see staff changes and amendments to the Local Council Tax Reduction Scheme.</b></p>	50	25	<p><b>Assurance</b> Historically, good governance. Reviewed with regard to the rules covering entitlement to Housing Benefit and Council Tax Support being complex and administrative errors have the potential to lead to under/overpayments. Scope will capture changes to the systems and procedures to ensure entitlement to and payments in relation to Housing Benefit. To include Payments, Overpayments, Rent Referrals, Statistical and Subsidy Returns. Review changes to the Benefits System under the Welfare Reform Act, Universal Credit, Single Fraud Investigation Service and the WFDC Local Council Tax Reduction Scheme as amended. <b>NB: Universal Credit went live in November 2018.</b></p>

<p><b>Payroll (Including Mileage &amp; Subsistence claims)</b>  <i>(Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment; Significant proportion of expenditure, provided as part of a Shared Service with Redditch BC. HMRC IR35 changes from April 2017 in the public sector)</i>  <b>NB: With the introduction of an RBC Payroll Officer working with the WFDC Payroll Team, 2018~19 identified that the payroll service was well managed. 2019~20 review will continue to provide resources for validation of payments with some compliance testing and review of reconciliations.</b></p>	51	20	<p><b>Assurance</b>  Historically, good governance. Reviewed as a service delivered via a service level agreement. Scope to capture changes to the systems and procedures in place at Wyre Forest District Council and Redditch BC to ensure accurate payments to bonafide employees. Validation of all payments, to include those to HMRC including the changes in respect of IR35, Pensions and other deductions and allowances are correct and authorised and that all payroll transactions are accurately recorded in the financial accounts, to incorporate detailed testing of both staff and member mileage &amp; subsistence claims.  2018~Act as a critical friend on the review of the payroll arrangements and the service level agreement.  <b>NB: Mandatory use of HR21 by Members from 2018</b></p>
<p><b>NNDR {Business Rates} {Parameters/Compliance &amp; Reconciliations}</b>  <i>(Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)</i>  <b>NB: 2018~19 Business Rate reform continues with the retention rate being increased in 2019~20 as a consequence of 1 year Pan Worcestershire 75% Business Rate Pilot.</b></p>	21	10	<p><b>Assurance</b>  Historically, good governance. Reviewed as a key financial process with an annual rateable value in excess of £74m.  Scope will capture changes to the systems and procedures in place to calculate liability, raise bills, collect income and monitor arrears; review process for the Business Rate retention including contributions to/from the Worcestershire pool. NNDR 3 return.  Have regard to the 2017 revaluation by the Valuation Office from April 2017, any changes to reliefs and Check Challenge Appeal process for appeals.  Provide assurance that appropriate notifications have been received advising of the NNDR multipliers and transitional relief rates for the current financial year, and that these have been accurately transferred to the Civica system for the billing process.</p>
<p><b>Council Tax {Parameters/Compliance &amp; Reconciliations}</b>  <i>(Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)</i></p>	16	10	<p><b>Assurance</b>  Historically, good governance. Reviewed as a key financial process, with an annual property charge in excess of £68m.  Scope will capture changes to the systems and procedures in place to calculate liability, raise bills, collect payment and monitor arrears.  To provide assurance that Council Tax charges have been correctly calculated, and parameters validated for an accurate billing process.  To review the local Council Tax Reduction scheme. Review changes to the system for the detection/prevention of fraud on Single Person Discounts following the transfer of the Fraud Team to DWP under SFIS.</p>
<p><b>Accounts Payable: Corporate Creditors {Compliance &amp; Reconciliations}</b>  <i>(Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)</i>  <b>NB: Accounts Payable is a stable system, 2019~20 review will consider those applications that interface with Agresso, the Financial Management System e.g. Garage Hive}.</b></p>	44	10	<p><b>Assurance</b>  Historically, good governance. Reviewed as an element of the general ledger that supports the annual statement of accounts; to provide a sound control environment processes must operate effectively.  Scope will capture changes to the system and procedures in place for the payment of invoices for services and supplies across the Council to cover all aspects including the weekly reconciliations of BACS; Purchase Order Processing (requisition to invoice payment); journal transactions Including follow up on change processes as part of the on-going transformation programme including channel shift and digitalisation.</p>

<p><b>Procurement Cards</b> {Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment}{Failure to comply with the Local Government Transparency Code} <b>NB: 2019~20 will see the introduction of contact less cards, so expenditure reviews will be undertaken throughout 2019~20 in line with Accounts Payable and Budget Monitoring.</b></p>	44	10	<p><b>Assurance</b> Historically, good governance. Reviewed as an element of the transparency process for procurement, Scope will review a sample of procurement activities across all service teams to evaluate the level of compliance with legal, transparency and constitution requirements. Including reviewing the controls in place for the use of the Council's purchasing cards and the recording and verification of purchases via this method.</p>
<p><b>Debt Recovery Procedures</b> (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) To include Corporate &amp; Property Debtors; <b>NB: Debt Recovery Policy under review 2019~20 review will be in consideration that the Council continue to maximise on income. Property Debts to include new Property Acquisitions.</b></p>	67	8	<p><b>Assurance</b> Historically, good governance. Reviewed as a key system across all directorates. Well managed as evidenced from the work of the Corporate Debt Recovery. Scope will capture changes to the systems and procedures for the recovery of outstanding debts having regard to the Legal requirements for Court Action(exc. Council Tax and NNDR). Have regard for the staff changes and realignment of the process for managing debt recovery within the Finance and Property Management Teams</p>
<p><b>Accounting (Income&amp; Bank)</b> (Risk :Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) <b>NB: Stable processes in place with no issues identified. As systems continue to become more digital 2019~20 will ensure WFDC procedures remain fit for purpose.</b></p>	40	10	<p><b>Assurance</b> Historically, good governance. Reviewed as a key financial process, underpinning internal and external reporting by reconciliations to the General Ledger. Scope will capture changes to the systems and procedures around the Council's General Ledger to record financial transactions and produce the final accounts. To include Bank Reconciliations, collection of income via all mediums cross-cutting across all Directorates. Including follow up on change processes as part of the on-going transformation programme and having regard to the digital first agenda, including wider implementation of "Just Park" car park single ticket system.</p>
<p><b>Employee Establishment</b> (Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) <b>NB: Remains an area of concern as the process is captured across Directorates.</b></p>	82	10	<p><b>Assurance</b> Scope will continue to work with the HR Team to formalise systems and procedures in place for the maintenance of the WFDC Establishment data base; and the process for updating staff details. Without an establishment, ghost employees can not be identified, salary budgets cannot be managed.</p>
<b>Cross Cutting Continuous Reviews</b>			
<p><b>Information Governance CORPRISK05 Council misses important issues and/or is in breach of a requirement.</b> {Risk: Breach of the Data Protection Act leading to penalties up to £500k – Note report commissioned as part of long term agreement from our insurers Zurich Municipal on Information governance risk} <b>NB: Review will be broken into different elements and reviewed on a rolling basis year on year, reviews will examine the manner in which information is received, managed and stored.</b></p>	~	10	<p>Continuous review to support the work of the Information Governance Group following the Zurich Municipal Review; work with the Data and Project Management Officer in reviewing procedures, processes including the training and awareness of relevant policies and guidelines. To provide assurance on controls implemented to manage information {including disposal} within the Council; to include not just ICT but manual records and information. Confirm compliance with data protection legislation with regard to the General Data Protection Regulation {GDPR} May 2018 to include mapping data protection processes and working with the Digital First Board to ensure that the personal information collected as part of the Digital Agenda is collected and collated as appropriate.</p>
<p><b>Ethics and Governance CORPRISK12 Effective/strategically focussed political leadership to cope with continuing significant challenges of reduced funding and changing legislative framework.</b> (Risk: Reputational Damage; Failure to meet Statutory Requirements; Ineffective governance; unsatisfactory audit opinion) <b>NB:2019~20 Review of Standards Management.</b></p>	44	15	<p>Continuous review to determine whether the Council's has effective governance arrangements and ethical framework in place. to include Anti Fraud &amp; Corruption Strategies; Data Protection; Freedom of Information; Contract Procedure Rules; Financial Regulations; Constitution; Code of Conduct; Gifts &amp; Hospitality; Members Allowances; Data Quality/Performance Management. <b>Standards Management:</b> Definition: An expectation that members and staff will operate to the highest standards of conduct, encouragement to do so, acknowledgement that, on occasions, some may fail to do so and a willingness to address this.</p>

<b>Risk Management CORPRISK05 Council misses important issues and/or is in breach of a requirement.</b> {Risk Reputational Damage; Ineffective risk management; unsatisfactory audit opinion <b>NB: : Review will be broken into different elements and reviewed on a rolling basis year on year,</b>	~	10	Continuous review of the Council's Risk Management arrangements to support the annual audit opinion.  Select Key Risks from the Corporate Risk Register and review mitigating actions to support the annual audit opinion.
<b>Fees &amp; Charges (CORPRISK04-Unable to deliver a sustainable budget for the long term)</b> (Risk: Reputational Damage; Failure to maintain a balanced budget) (without accurate financial information customers may be incorrectly charged, income could be lost causing under achievement of budgets and reputational damage)	~	6	Continuous reviews of Fees & Charges not covered elsewhere within the Plan on a rolling basis. Includes setting the charges, assurance that sections are complying with approved charges. <b>2019~20 this will be a parameter review and form part of the basis for the Accounts Receivable service reviews to ensure fees and charges are correct in Agresso, the Financial Management System and have been increased as per the approved Strategy.</b> <b>NB: Refer to Income Generation Commercial Agenda {page 8}</b>
<b>TOTAL DAYS</b>		<b>182</b>	

**Cyclical Reviews Brought Forward:**

**This allocation provides for the completion and sign off of 2018~19 audit reviews which require finalising.**

AUDIT COVERAGE	RA	2019/20 Days	AUDIT SCOPE
<b>Development Control</b> (Risk: Reputational Damage; Failure to meet statutory requirements; customer expectation; income threshold) {Several Staff Changes took place in 2017/New System IDOX 2018}	<b>43</b>	2	Cyclical review of the systems and procedures in place for processing and approval of planning applications to include the collection and banking arrangements for fee income.
<b>Housing Grants including Disabled Facilities Grants</b> (Risk: Fraudulent claims; insufficient fund; misappropriation of funds – note additional funding allocation of circa £1m for 2016/17) <b>NB: 2018~19 Review commenced to map processes and review procedures in place.</b>	~	10	Reviewed as part of Strategic Housing the system changes to the process of awarding Disabled Facilities Grant arising from the Housing Needs Intervention as part of the Wyre Forest Forward Programme
<b>Asset Management/Fixed Asset Valuations</b> (Risk: Failure to Maintain adequate controls over Key Financial Systems) <b>NB: 2018~19 Property Acquisitions &amp; Transfer of Kidderminster Town Hall</b>	~	10	Continuous review of the system and arrangements in place to record, manage and maintain the Council's physical assets and property portfolio. Review of the systems and procedures in place in respect of the arrangement for leases, licenses and rental agreements; calculation of income due, collection and banking of income and the monitoring and recovery of arrears. Have regard for the Cabinet approval of £25m capital funding to grow the Council's portfolio of capital assets to support economic, regeneration and/or housing priorities.
<b>TOTAL DAYS</b>		<b>22</b>	

2019~20 ~ Corporate Plan Priorities {Allocations}

AUDIT COVERAGE	RA	2019/20 Days	AUDIT SCOPE
<p>North Worcestershire Economic Development &amp; Regeneration Economic Growth:  <u>{CORP RISK 02: Unable to improve the economic prosperity of the district}</u>                      NB: 2018~19 Change to Head of Service</p>	~	12	<p><b>Corporate Plan Priority Banner:</b> Support you to contribute to a successful local economy.                      →A shared service between Wyre Forest District Council/Redditch Borough Council/Bromsgrove District Council.</p>
<p>Strategic Housing                      Homelessness:{Homeless Reduction Act ~ changes from April 2018}  <u>{CORP RISK 03: Unable to deliver good quality, affordable home}</u>                      NB: Homelessness team have had a change of personnel, with a higher spend against budget following legislation changes.</p>	~	12	<p><b>Corporate Plan Priority Banner:</b> Support you to live in clean, green safe communities                      →Preventing and reducing homelessness                      Scope will have regard to employees to be TUPE'd across to Wyre Forest District Council                      2018~19 initial review of procedures for front line service at the HUB.                      2019~20 Detailed review to incorporate credit card spend, processes and procedures                      NB: Increased Risk re In-house provision of homelessness accommodation &amp; New St SoS.</p>
<b>TOTAL DAYS</b>		<b>24</b>	

**Wyre Forest Forward Programme {On ~ Going Corporate Interventions};  
Internal Audit to support the Council with Interventions/Continuous Improvement Work**

AUDIT COVERAGE	RA	2019/20 Days	AUDIT SCOPE
<b>Depot Intervention ~ Continuous</b>			
<p>Garage ~ Vehicle Maintenance/Stores &amp; Stock Control to include PPE                      (Risk:Failure to Maintain adequate controls over Key Financial Systems)</p>	<b>54</b>	6	<p>Continued support to the Depot as part of the Interventions to include ongoing review of the arrangements in place for the maintaining and servicing of Council Vehicles, to cover Driver responsibilities, stock control and issue of fuel with the implementation of the Garage Hive software application.</p>
<p>Income Generation {Commercial Work} to include                      →Grounds Maintenance                      (Risk~Reputational Damage; Customer xpectations; Failure to Generate External Income)                      →Driver Training                      (Risk~Reputational Damage, Customer expectations; Failure to Generate External Income)                      →Business Support Team                      (Risk: Reputational Damage; Failure to meet Statutory Requirements; Ineffective governance and Financial Management)                       NB: See Fees &amp; Charges {Pg 7}</p>		15	<p>Review of the systems and procedures in place for the provision of a commercial grounds maintenance service.                      Review of the systems and procedures in place for the provision of a professional driver training .                      Continue to review, develop and refine systems to support the commercialisation of services being delivered by the Depot.                       Review of the work of the Commercial Activity Programme Board {formerly Income Generation Group} approved as part of the MTFs 2017~21 with wider Officer delegations.                       NB: Have regard for the for the new Commercial Business Manager in post and the work of the Commercial Activity Board to include spot checks on business cases for new/increased commercial work.</p>
<b>TOTAL DAYS</b>		<b>21</b>	
<b>TOTAL AVAILABLE AUDIT DAYS</b>		<b>249</b>	

**WYRE FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT ANNUAL PLAN 2019~20**

**ICT Audits and Assistance (20 Days Per Annum)~ Continuous Programme of Review**

**CORPRISK06~Implementation of ICT Strategy**

**CORPRISK10~Unable to ensure a secure network**

Areas	Reason
<b>IT Governance~ Physical Security</b>	To ensure that physical security is in place and that protocols are adhered to. Ensure that there is effective management of assets throughout to manage changes and restructuring.
<b>IT Governance ~ Public Services Network</b>	To ensure actions from penetration testing are implemented to allow for continued connectivity to government systems.
<b>IT Governance ~ Access Control Applications as detailed in the WFDC ICT User Security Policy ~ December 2016</b>	To ensure that system access is recorded and appropriately granted. To ensure that System administrators are appropriately trained. To ensure Roles and Permission are monitored To ensure employee starter, leaver and transfers access right set up and amendments are controlled and recorded.
<b>IT Governance ~ Upgrade/Patch Management</b>	To ensure there is a system in place for upgrading software and applying security and other supplier patches.
<b>IT Governance ~ Back up</b>	To ensure system back ups are controlled and secure. To ensure back ups are tested and the tests are recorded. To ensure back up equipment is working appropriately.
<b>IT Governance ~ Audit Trails</b>	To ensure Audit trails are switched on, show an accountable trail, are retained for an appropriate length of time and the time stamps are accurate. To ensure significant events have been recorded.
<b>IT Governance ~ Contingency Plans (Monitoring of Cyber Risks)</b>	To ensure contingency plans are in place and include security arrangements (including physical). To ensure off site arrangements have been tested. To ensure that the cyber environment is reviewed to maintain pace with current threats; addressing the risk of financial loss, disruption or damage to the reputation of the Council.

**WYRE FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT ANNUAL PLAN 2019~20**

**Assistance & Advice (10 Days Per Annum) ~ Continuous Programme of Review**

**CORPRISK06~Implementation of ICT Strategy**

**CORPRISK10~Unable to ensure a secure network**

Areas	Reason
<b>Social Media to include:</b> {Risk: Reputational Damage; information not managed; feed back not monitored} <b>Facebook</b>  <b>Twitter</b>  <b>Press Releases</b>	The Council regularly updates the pages to ensure the Content is current and accurate. The sites are monitored with regard to mitigating risks in respect of branding and/or reputational damage The sites are accessible to all. Compliance with Data Security under:- ~a privacy policy, ~social media policy, ~ risk policy ~Freedom of Information and Data Protection policies. Ensure an internal policy include the employees use of social media.
<b>IT Governance ~ Inventories</b> {Risk: Misappropriation/misuse of Assets; Reputational damage should data on council assets be lost/misused; financial penalties for loss/misuse of data if hardware not manage.}	To ensure inventories are in place for both computer software and hardware. To ensure inventories are regularly reviewed and updated.
<b>Payments on Line ~ Procurement/Paypal</b> (Risk: The continuing use of procurement cards and change in process from 2015)	To ensure that the Council procurement cards are secure and appropriately used. To ensure that the procurement cards are being used inline with Council policies when used on line. To ensure that purchases and payments are appropriately controlled.
<b>Payment Card Industry Data Security</b> (Risk:Financial Penalties or withdrawal of payment facilities)	To ensure that appropriate processes are in place for adherence to industry standards in relation to the use of payment card technology. Particularly for increased payment processes to support external income generation.
<b>BACS {Banks Automated Clearing System</b> {Risk: Reputational Damage should payments/income collection not be actioned promptly, failure to deliver services}	To work with the ICT Manager and Finance Team on the implementation of new BACS software to ensure effective arrangements in place for processing BACS bank to bank transactions.
<b>ICT Strategy Board/ICT Security Group</b>	To attend and provide consultative advise and support on information governance and appropriate internal controls.

**WYRE FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT ANNUAL PLAN 2019~2020**

The Council undertakes a variety of procurement activities to help deliver services and meet its Corporate Plan Priorities. There are a number of key contracts and in order to mitigate the Council's exposure to commercial, contractual and reputation risk these should be effectively managed.

**Contract Audit to include Procurement( 25 Days Per Annum)**  
**CORPRISK09~Unable to effectively improve the Council's Reputation**

***Contract/Procurement Audit includes:***

- Contract Specifications
- Tendering Process including opening & recording
- Award of Contract
- Contract Monitoring
- Contract payments
- Contract register
- Final accounts as appropriate
- Service Level Agreements
- Due regard to Home Office Guidance on fraud and organised crime.

**On contracts selected from the approved Revenue & Capital budgets.**

Current Examples Include:-

- Disposal of Council Assets
- Bewdley Car Park Refurbishment ~ Load Street {Final Retention}
- Depot 2020 Project
- Capital Portfolio and Development Loans Fund Strategies progression

**WYRE FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT ANNUAL PLAN 2019 ~ 2020**

**Specific Service Duties – (25 Days Per Annum)**

**CONSTITUTION-GOVERNANCE**

- Continuous review of Financial Regulations to ensure updated for new policies on Development Loan Fund and the Capital Portfolio fund//Contract Procedure Rules/Corporate Fraud Policies and others that may arise.

**ARRANGMENTS FOR THE PREVENTION/DETECTION OF FRAUD**

- To continue to coordinate the statutory requirement for the Cabinet Office National Fraud Initiative Data Matching Exercise
  - ➔ Participation by management and coordination in mandatory data matching exercise across public bodies to identify anomalies which may signify fraudulent transactions. Matches are investigated promptly and thoroughly.
- Counter Fraud Arrangements
- Participation in national surveys for Fraud to demonstrate actions in Protecting The Public Purse.

**SPECIFIC ROLES**

- Grant certifications where the contractual arrangement requires Internal Audit to confirm that expenditure is in line with grant terms and conditions.
- Recommendation Monitoring
  - ➔ To support the Audit Opinion
  - ➔ Allow for Internal Audit to monitor Managements progress with the implementation of recommendations.
- Internal Working Groups ~ Critical Friend Role
  - ➔ To provide for a representative on working groups to advise on risk and control.

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2019 ~ 2020

	TOTAL Per Annum
<b>GROSS (FTE*)</b>	<b>640</b>
<b><u>Less: Leave Allocations</u></b>	
Bank Holidays	24
Annual Leave	65
Sick/Special Leave	12
Training	31
<b>Sub Total</b>	<b>508</b>
<b><u>Less: Administration</u></b>	
Corporate Fraud {Senior Auditor}	40
Kidderminster Town Council {Audit Manager}	15
Management Inc. Meetings (Internal)	25
Corporate Briefings	8
Audit Committee Attendance	5
Audit Plans/Monitoring Reports/Annual Report	8
General Duties	5
Risk Management Support	8
<b>Available audit days (FTE)</b>	<b>394</b>

\*FTE = Full Time Equivalent.

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**25<sup>th</sup> March 2019****INTERNAL AUDIT MONITORING REPORT**  
**QUARTER ENDED 31<sup>st</sup> DECEMBER 2018**

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

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> December 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 31<sup>st</sup> December 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	<b>Follow up reviews</b> undertaken in the quarter; incorporating recommendations in progress
Section 2	<b>Final</b> Internal Audit Reports issued
Section 3	<b>Draft</b> Internal Audit Reports issued
Section 4	<b>Work In Progress</b> to include draft reports issued following completion of 2018~19 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.

## **Agenda Item No. 10**

- 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. The quarterly monitoring report is presented to the Audit Committee in accordance with the Internal Audit, Quality Assurance & Improvement Programme to ensure on-going monitoring of the performance of the internal audit activity.
- 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 and governance arrangements. 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 and governance arrangements, 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, Regulation 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 system 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 31<sup>st</sup> December 2018 is reported within Appendix 1. This information is presented to members in accordance with the Internal Audit Charter for the Internal Audit Team and the Quality Assurance & Improvement Programme as requirements of the UK Public Sector Internal Audit Standards.

**10. CONSULTEES**

10.1 Corporate Leadership Team  
Cabinet Member for Resources

**11. BACKGROUND PAPERS**

11.1 28<sup>th</sup> November 2018 ~ Audit Committee ~ Quality Assurance & Improvement Programme  
19<sup>th</sup> March 2018 ~ Audit Committee ~ Internal Audit Annual Plan 2018~19  
30<sup>th</sup> July 2018 ~ Audit Committee ~ Internal Audit Charter {Updated}  
Accounts and Audit Regulations 2015 {SI 234}



# **INTERNAL AUDIT**

## **INTERNAL AUDIT MONITORING REPORT**

**QUARTER ENDED  
31st December 2018**

**INTERNAL AUDIT**

**QUARTERLY AUDIT REPORT**

**QUARTER ENDED 31st December 2018**

<b>INDEX</b>	<b>PAGE</b>
<b>SECTION 1</b> Follow up Reviews undertaken in the Quarter	<b>91</b>
<b>SECTION 2</b> Final Audit Reports issued in the Quarter	<b>92</b>
<b>SECTION 3</b> Draft Audit Reports issued in the Quarter	<b>93</b>
<b>SECTION 4</b> Work In Progress (Including Action Plans Issued) & Draft reports following the completion of the 18~19 Internal Audit Annual Plan	<b>94</b>
<b>SECTION 5</b> Performance against Annual Plan for the Financial Year 2018/19	<b>95</b>
Including Consultancy & Advice for the Quarter & Comparison of Consultancy & Advice for Quarter 31st December 2017 & 31st December 2016	<b>96</b>
Supporting Information for Other Internal Audit work including the Wyre Forest Forward system reviews, process designs.	<b>97</b>
<b><i>Cheryl Ellerton</i></b> <b>AUDIT MANAGER</b>	
<b><i>Tracey Southall</i></b> <b>SECTION 151 OFFICER</b>	

4<sup>th</sup> March 2019

SECTION 1

Quarter Report to the 31st December 2018

Summaries of Follow up Reviews undertaken in the Quarter

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

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

**Agenda Item No. 10**  
**Appendix 1**  
**SECTION 2**

<b>SECTION 1</b>		
<b>FINAL AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 31st December 2018</b>		
	<b>ASSURANCE</b>	<b>PAGE</b>
<b>CORE FINANCIAL SYSTEM REVIEWS</b>		
<b><u>Key Systems (Annual Assurance Reviews)</u></b>		
2018/19 ~ Income to Bank ~ Bank Reconciliation	<b>F</b>	-

All with **FULL** assurance, so no further details provided.

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

Quarter Report to the 31st December 2018

DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 31st December 2018	
TITLE	DATE OF ISSUE
-	-

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

**Agenda Item No. 10**  
**Appendix 1**  
**SECTION 4**

The following Action Plans have been issued to Service 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.

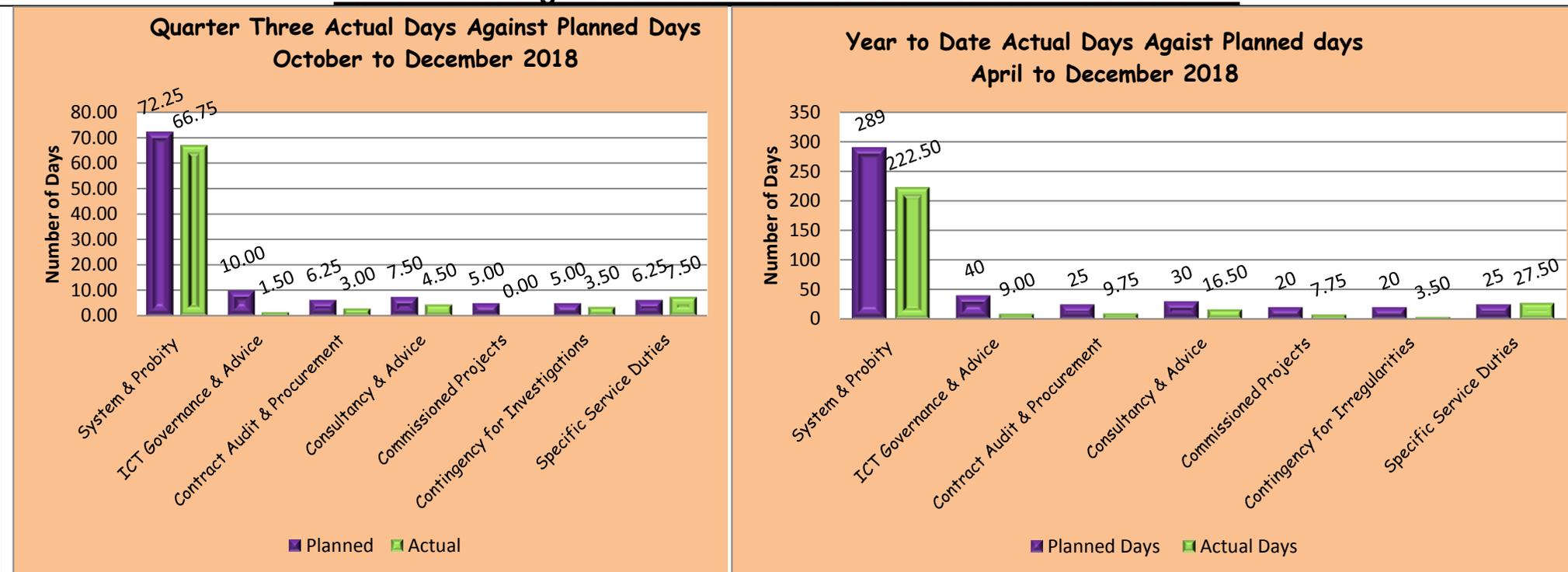
WORK IN PROGRES AS AT 31st December 2018		Status	Action Plans/Progress Report			DATE OF COMPLETION OF FIELD WORK
RISK ASSESSMENT	AUDIT REVIEW	As At 33.12.18	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	
RA74	<b><u>Core Financial Systems (Annual Assurance Reviews)~</u></b> <b><u>2018~19 Annual Audit Plan</u></b> <b><u>Accounting Cash To Bank</u></b> Bank Reconciliation	Stage 6	27.06.18	10.08.18 {Journals}	-	06.11.18 {FR}
RA88	<b><u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u></b> Council Tax Reduction {Local Scheme} ~ Compliance	Stage 4	-	11.09.18	-	28.02.19
	Housing Benefit {Allowances}	Stage 4	-	10.09.18	-	28.02.19
RA82	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations <b><u>Council Tax</u></b> Ctax Reconciliations ~ {To include Gross Debit 2018/19}	<b>Stage 1</b> Stage 6	-	-	-	-
	Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 3	28.06.18{FR}	N/A	N/A	N/A
	Ctax Compliance/Recovery	Stage 4	28.06.18	22.08.18	-	-
RA80	<b><u>Creditors (Accounts Payable)</u></b> Creditors {Accounts Payable } ~ Compliance	Stage 4	-	30.07.18	-	29.01.19
	Creditors {Accounts Payable} ~ Reconciliation	Stage 3	-	-	26.11.18 x 2	-
RA89	<b><u>Debtors (Accounts Receivable)</u></b> Debtors {Accounts Receivable} ~ Compliance	Stage 3	-	-	26.11.18	-
	Debtors {Accounts Receivable} ~Reconciliations	Stage 4	-	-	-	05.03.19
RA71	<b><u>Establishment</u></b> Establishment Reconciliation Inc Staff Record Forms	Stage 4	-	01.& 24.08.18	-	29.01.19
RA84	<b><u>National Non Domestic Rates</u></b> NNDR ~ Reconciliations ~ {To include Gross Debit 2018/19}	Stage 3	-	13.09.18	-	-
	NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 6	27.06.18{FR}	N/A	N/A	N/A
	NNDR ~ Compliance	Stage 4	-	07.08.18	-	08.02.19
	<b><u>Payroll (Including Mileage &amp; Subsistence Claims)</u></b> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team)^	Stage 4	-	24.09.18	-	29.01.19
RA85	<b><u>Pay Award</u></b> Payroll ~ Reconciliations (WFDC Accountancy Team)	Stage 4	28.06.18	10.08 & 13.09.18	-	08.01.19
R103	<b><u>Treasury Management</u></b>	Stage 4	-	-	-	01.01.19
RA94	<b><u>Budget Control &amp; Monitoring</u></b>	Stage 4	-	-	-	29.01.19
		Stage 1	-	-	-	-

**KEY**

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

**Audit Resource Statistics**

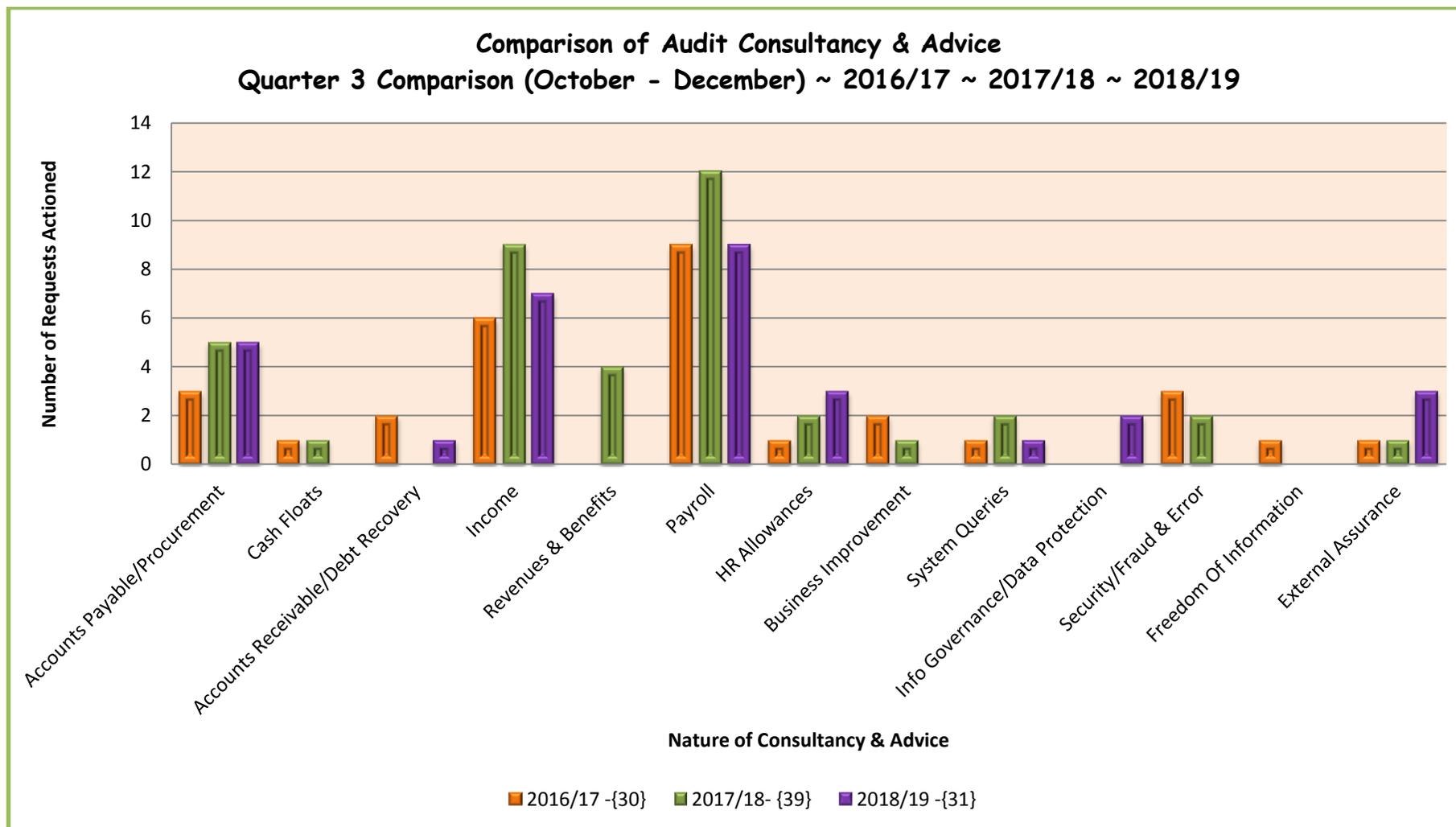
**Performance Against Annual Plan For The Financial Year 2018~19**



<u>Actual Days</u>	<u>Planned Days</u>	<u>% of Plan</u>	<u>Actual Days</u>	<u>Planned Days</u>	<u>% of Plan</u>
86.75	112.25	77%	296.5	449	66.0%
<b>TARGET</b>		<b>95%</b>			<b>71.25%</b>

- For the quarter to 31st December 2018 actual against plan is 77% compared to a target of 95% {93.7% against 95% for quarter 31st December 2017}.
- During Quarter 3, the Trainee Internal Auditor resigned his position within the team which has resulted in a reduction in the available audit days for this quarter and as a consequence this is reflected in the performance against the agreed Internal Audit Plan for 2018~19. The plan as approved is a Statement of Intent, and therefore, the reduction in available audit days has not been detrimental to the delivery of the internal audit service. In consultation with the Corporate Director: Resources, the structure of the Internal Audit Team is currently under review to ensure that staff resources are maintained to provide for a robust, independent and objective internal audit service to the Council, and form an opinion on the internal control environment, governance and risk management arrangements.

→ Within the time allocated for ad-hoc consultancy and advice in the table, during this third quarter of 2018~19 the Internal Audit Team have responded to **31** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **39** requests received and actioned for the same period for 2017~18 and the **30** requests received and actioned for the same period in 2016~17.



**Additional Assurance Work Undertaken by Internal Audit**

In addition to the planned work detailed above, the Internal Audit Team have also undertaken work in other areas 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 {GDPR} Officer for the Council.

**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.

**Contracts & Procurement**

- Monitoring of the contract payments for the development of the Depot site at Green Street.

**Corporate Issues**

During the quarter, Internal Audit have also continued to undertake work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office to support the 2018~19 programme of work.

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE****25<sup>th</sup> MARCH 2019****Annual Governance Statement**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor N J Desmond
<b>RESPONSIBLE OFFICER:</b>	Corporate Director: Resources
<b>CONTACT OFFICERS:</b>	Corporate Director: Resources Ext 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>APPENDICES:</b>	Appendix 1 - Annual Governance Statement Action Plan 2017/18

**1 PURPOSE OF REPORT**

- 1.1 This report is to present the current position in relation to the action plan which was developed to address the issues identified within 2017/18.

**2 RECOMMENDATION**

- 2.1 **The Audit Committee is asked to approve the progress against the Annual Governance Statement Action Plan 2017/18 which is attached at Appendix 1.**

**3 BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 Full details on these requirements in relation to the Annual Governance Statement have been reported to the Audit Committee and are regularly refreshed as part of annual Member training. The Annual Governance Statement was presented and approved at the May 2018 meeting of the Audit Committee.
- 3.4 In determining the Annual Governance Statement the Council is required to take into account all relevant information including the following sources of evidence:
- Internal Audit reports;
  - External Audit reports;
  - Assurance Statements completed by senior staff;
  - Corporate Risk Register;
  - External Inspection findings including the Peer Review;

- Other relevant information.

3.5 Following consideration by the Corporate Leadership Team the Annual Governance Statement was approved by the Audit Committee at the meeting in May 2018.

#### **4 KEY ISSUES**

4.1 The Annual Governance Statement identified areas of Corporate Governance which needed to be addressed during 2018/19. An action plan has been developed and is attached at Appendix 1, which identifies these areas and the progress that has been made in addressing these points. This has been reviewed and agreed by the Corporate Leadership Team.

4.2 Members are requested to review and approve the action plan and to note the current progress in relation to the delivery of the necessary improvements.

#### **5 FINANCIAL IMPLICATIONS**

5.1 There are no direct financial implications arising from this report.

#### **6 LEGAL AND POLICY IMPLICATIONS**

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

#### **7 EQUALITY IMPACT NEEDS ASSESSMENT**

7.1 There are no discernible equality and impact assessments relating to this report.

#### **8 RISK MANAGEMENT**

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

#### **9 CONCLUSION**

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

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

9.2 This report identifies the progress that has been made to date in relation to the Annual Governance Statement approved on 30<sup>th</sup> May 2018.

**10 CONSULTEES**

10.1 Corporate Leadership Team.

10.2 Cabinet Member for Resources.

**11 BACKGROUND PAPERS**

11.1 30<sup>th</sup> May 2018 – Annual Governance Statement 2017/18

11.2 Delivering Good Governance in Local Government CIPFA/SOLACE.

11.3 UK Public Sector Internal Audit Standards April 2016.

11.4 Audit Committee Reports 19<sup>th</sup> March 2018.

**APPENDIX 1 - Significant Governance Issues for 2017-18**

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

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1.	Continue to maintain financial resilience by securing approval of a Medium Term Financial Strategy with a fully balanced budget, taking into account the ongoing challenges of the impact of continuing austerity measures, noting the impact of the progression of "Brexit" and global economy volatility.	AGS 2016-17 as highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	<p>1a) To continue to actively participate in and understand/model the impact of the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform.</p> <p><u>Progress</u></p> <p>There continues to be active participation in the Fair Funding Review with responses submitted for all consultations. The pan-Worcestershire 75% Business Rates Pilot for 2019-20 will further inform the revised funding system.</p>	a)/b) Balanced Medium Term Financial Strategy (MTFS) for 2019-22 with developed proposals for significant savings/cost reductions to close the increased funding gap from 2018-19.	Corporate Director: Resources, Chief Executive and whole Corporate Leadership team	December 2018 to February 2019
			<p>b) Further work around income generation, commercialisation and expenditure reductions. Further develop and evolve the Financial Strategy to include:</p> <ul style="list-style-type: none"> <li>-potential for large scale service redesign, alternative delivery and service providers, digitalisation and demand management</li> <li>- a review of the impact of the revised approach to underspends and reserves so that base budget</li> </ul>	b)Proposals for savings as part of MTFS 2019-22		

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>and forecasting are as accurate as possible;  <u>Progress</u></p> <p>Review of commercial activity undertaken. Commercial strategy agreed and Commercial Activity Programme Board established includes 3 Cabinet Members. Board considers business cases for expanding commercial activity. Commercial income growth reflected in MTFS: additional income targets for 2018-19 onwards aligned with business cases and experience of income achieved/scope for growth.</p> <p>Commercial business manager appointed June 2018 to bolster activity, with small team funded by innovation fund and income. Further work is ongoing to report net income and simplify reporting for managers.</p> <p>Cross Council officer income generation group and also Digital First Group meet regularly</p> <p>Income achievement monitored in monthly budget reports for Cabinet/CLT as well as formal quarterly reports to Cabinet.</p> <p>General Risk Reserve created from the merger of a number of specific reserves to be reduce and simplify the system for accounting for reserves and mitigate</p>			

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>unexpected underspends.</p> <p>Took part in IEWM survey of Council's income generation benchmarking</p> <p>New products and services being tested and business cases developed.</p>			
			<p>c) Continue to develop thinking about the Council's future role and purpose post 2020. Detailed work to refresh the Corporate Plan to be undertaken during later part of 2018-19 with formal Council approval at July 2019 Council. This will ensure continued realignment to the Financial Strategy and future operating model so there is cohesive and compelling narrative about what the Council is striving to achieve and how it will deliver its priorities, including the ways by which it will remain financially viable, and the further organisational transformation required.</p> <p><u>Progress</u></p> <p>More prominent narrative included in the MTFS about what the council is seeking to achieve, what outcomes have already been achieved its "operating model" future changes etc. This provides better context for the financial plans that feature in the strategy.</p>	c)MTFS 2019-22		July 2019 Council for formal approval of refreshed Corporate Plan

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			Draft timetable of necessary actions to refresh the Corporate Plan agreed by Leadership team with most of the actions to take place following the all-out elections in May. The last two budget surveys and the Viewpoint survey will inform this process although further specific public consultation and engagement is included in the timetable.			
2.	Continue with the initiatives and innovation to achieve income generation and cost savings, including a refresh of the Wyre Forest Forward Programme and robust monitoring with the opportunity to challenge as appropriate, against savings plans, to meet the increased targets from 2018-19.	AGS 2016-17. Highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	Adopt Commercial Strategy for 2018-23.  Use Commercial Activity Programme Board (CAPB) to consider business case proposals for new commercial activity and allocate resources from £250k Capital pot and also £100k Revenue pot approved as part of the 2017-18 Final Accounts process.  <u>Progress</u> Commercial Strategy adopted. CAPB meets regularly and actively considers business cases for new commercial activity with allocations made from the generic Capital and Revenue Pots. Examples of approvals are second tree gang and driver training. £192k Capital funding and £91k Revenue funding unallocated at time of writing.	Increased Commercial Activity	Corporate Director of Community Well-Being and Environment supported by the Leadership team	May/June 2018 for Strategy then regular CAPB meetings Recruitment by June/July
			Continue to refine and improve budget monitoring/ achievement of	Income targets included in MTFS are exceeded	Corporate Director of Resources/	Quarterly Progress check

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>generic Wyre Forest Forward Programme savings/income growth, with focus on commercial activity with regular reporting to the Commercial Activity Programme Board.</p> <p><u>Progress</u> Commercial income growth reflected in MTFS: additional income targets for 2018-19 onwards aligned with business cases and experience of income achieved/scope for growth. Further work is ongoing to report net income and simplify reporting for managers.</p> <p>Cross Council officer income generation group and also Digital First Group meet regularly</p> <p>Income achievement monitored in monthly budget reports for Cabinet/CLT as well as formal quarterly reports to Cabinet.</p>		Financial Services Manager	
			<p>CLT to update 'Plan on a Page' to refresh the Wyre Forest Forward Programme.</p> <p><u>Progress</u> CLT has updated the pages on the internet and intranet about the council's priorities and performance, including information about actions to make WFDC more efficient, grow income and</p>	Refreshed Wyre Forest Forward Programme	Leadership Team	End of 2018-19

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			implement alternative service delivery arrangements under the Wyre Forest Forward programme. Information to be updated again after new corporate plan adopted later in 2019, in light of the council's new priorities.			
3.	To progress the implementation of the new policies for the Development Loans Fund of £10m and Capital Portfolio Fund of £25m. To clarify the intended impact of these £35million investment policies the Financial Strategy and the Corporate Plan priority to deliver a successful local economy as part of this work;	AGS 2016-17 MTFS 2017-20, endorsed by Peer Review	<p>a) Implement revised Capital Portfolio Fund Strategy as approved by May 2018 Council by making proposals for suitable investment opportunities and secure approval and implementation/acquisitions.</p> <p><u>Progress</u></p> <p>Procedures and policies are now fully in place and potential proposals actively being sought and evaluated. KPMG have provided advice on financial viability modelling and specialist valuation and property advice has been taken as appropriate. Numerous proposals for property acquisitions have been progressed with 3 purchases completed at time of writing.</p>	Implementation of approved proposals/acquisition of portfolio assets that secure net income streams as revised	CLT - Corporate Director of Economic Prosperity and Place, Corporate Director: Resources, Property Investment Manager	Some acquisitions secured by end March 2019
			<p>b) Finalise arrangements for external Fund Management of Development Loans Fund policy</p> <p><u>Progress</u></p> <p>Contract with Finance Birmingham for Fund</p>	b) Fund Managers appointed and Development Loans Fund Policy implemented, Loans approved		By end June 18

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			Management Agreement signed off late October 2018 and final detail of due diligence processes being progressed.			
4.	Focus on emerging Information governance issues and non-benefit fraud utilising the Compliance Officer and Corporate Fraud Officer and separate Corporate Debt Recovery resources. Performance and impact of these resources to continue to be closely monitored and reported.	Annual Governance Statement 2016-17 and MTFS 2017-20	<p>a) Information Governance Group to continue to meet regularly to progress actions.</p> <p><u>Progress</u></p> <p>The Information Governance Group continues to meet quarterly and progress actions to timetable.</p>	a) Implementation timetable achieved	Chief Executive, Corporate Director: Revenues, Benefits & Customer Services Manager	a) Ongoing consideration via Information Governance Group
			<p>b) Compliance Officers within the Revenues &amp; Benefits Section in post since March 2015. They are responsible for protecting and increasing the tax base through regular monitoring and reviewing council tax discounts and exemptions to ensure they are legitimately claimed. To review the decision last year to invest in more staff for council tax and business rates recovery jointly funded by Worcestershire County Council to maximise Council Tax Income.</p> <p><u>Progress</u></p> <p>This year the compliance team have increased the Council Tax base by £100k by way of creating</p>	b) Income collected in terms of £s and % recovery rates		b) Monthly reporting of collections rates/amounts and half-yearly review of impact of extra resource for collection

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>new liabilities, Council Tax Reduction overpayments, Single Person Discount reviews, National Fraud Indicator and general reviews of discounts and exemptions. They have created £83k of Housing Benefit overpayments including 2 successful fraud prosecutions carried out by DWP).</p> <p>January Council Tax collection rates have increased by 0.22% and Business Rate collection rates have increased by 1.06%. If this success continues at the same rate by the end of the financial year, our CT collection rates would be the best since 2010.</p>			
			<p>c) Review revised arrangements for delivery of Corporate Fraud Investigator/Corporate Debt Recovery</p> <p><u>Progress</u> Continuing updates on current issues, both on the Fraud Page on COLIN, articles in Wyred Weekly supported by prominent posters across Wyre Forest House and Green Street. Data sets have been provided to the Cabinet Office as part of the mandatory 2018~19 National Fraud Initiative data matching exercise for the prevention and detection of fraud to include, Payroll, Creditors, Housing</p>	<p>c) Reports to Audit Committee will assess success of Corporate Fraud service</p>	<p>c) Corporate Director: Resources/Audit Manager</p>	<p>c) July Audit Committee for Fraud Update report</p>

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			Benefits, Council Tax Reduction (Local) Scheme and Licensing data. The outcome of matches with Wyre Forest District Council to other national data sets released for review end of January 2019.			
5.	Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may sign up to as part of its pursuit of innovative alternative service delivery solutions to unlock funding opportunities and generate revenue income streams. This includes Public Sector Partnership Wyre Forest LLP set up on the 22 <sup>nd</sup> March 2017 and the approved Group structure for a Local Authority Trading Company (LATC), localism, joint operations and potentially devolution and combined authorities	Annual Governance Statement 2016-17 and MTFS 2015-16	<p>5a) Ensure new partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust</p> <p><u>Progress</u></p> <p>No new partnering arrangements have been put in place in 2018-19. Work on the review of all shared services including governance is programmed as part of the next Wyre Forest Forward savings tranche.</p>	a)/b) Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet	CLT – Corporate Director of Economic Prosperity and Place author of Property LATC report, designated officers for PSP	a)/b) Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2018-19
			b) Ensure arrangements for traded services and arms-length organisations are fit for purpose			

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p><u>Progress</u></p> <p>No traded services or arms length organisations have been put in place in 2018-19</p>			
			<p>5c) Progress work with PSP Wyre Forest LLP by allocating sites/projects within the district for this new partnership arrangement to explore</p> <p><u>Progress</u></p> <p>Regular meetings continue to be held to explore the potential to progress development through the PSP Wyre Forest partnership but currently achieving financial viability is proving challenging and it has not been possible to progress specific proposals.</p>	<p>c) That work with PSP Wyre Forest LLP commences and delivers some tangible outcomes</p>		<p>c) PSP utilised by end of 2018-19</p>
			<p>5d) Further investigation of various structures for different arrangements, including utilisation and or expansion of the Group Structure of the approved LATC</p> <p><u>Progress</u></p> <p>Consideration of utilisation/expansion of Group Structure for housing/property development but as yet not optimal to use. Alternative service delivery model for depot commercial services also considered but additional costs currently outweigh potential cashable benefits; to be kept under review.</p>	<p>d) Reports prepared for proposals for alternative service delivery models</p>		<p>d) LATC Group Structure utilised as appropriate</p>

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6.	Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats; Progression of new ICT Strategy Capital Allocation of £1.757m; GDPR –compliance	Corporate Risk Register and ICT Strategy Board;	Quarterly review of network security <u>Progress</u> Network security continues to be a priority with significant resource dedicated to it. PSN compliance has been maintained and the network security continues to be effective.	PSN compliance, secure network;	ICT Manager/ Corporate Director: Resources	Ongoing reports to ICT Strategy Board, Information Governance Board, Cabinet Members and Group Leaders
		MTFS 2018-2021	ICT Strategy Board Approvals <u>Progress</u> The ICT Strategy Board continues to meet quarterly and the Strategy is proceeding according to timetable. Significant approvals have been agreed from the new ICT Capital Strategy during 2018-19 totalling £760,230 being the full capital programme sum for this year.	Timetable proceeds to timetable		
		GDPR Legislation - effective date 25 <sup>th</sup> May 2018	Review of compliance by information Governance Board <u>Progress</u> The Information Governance Group continues to meet quarterly and includes the review of data/information compliance on its work agenda.	Review evidenced compliance	Data Controller	
7.	Wider communication of priorities and purposes and also further development of the approach to consultation,	LGA Peer Review Annual Governance Statement 2016-17	Results of Focus Groups to discuss Council and Values, priorities and purposes to be discussed with CLT and incorporated into the new Corporate Plan	Survey results included in new Corporate Plan.	Chief Executive/CLT Cultural Services Manager/Media Team to prepare proposals	By February 2019

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
	engagement and involvement of communities and stakeholders		<p><u>Progress</u> Communications team organised 4 employee focus groups (one for WF20, two for staff based at Wyre Forest House and one for frontline staff at The Depot) and from this 3 key messages were agreed by CLT and Cabinet which would be the focus for our external comms and feed into new Corporate Plan refresh process.</p>			
			<p>To trial the use of the new consultation template and prepare a marketing plan of actions</p> <p><u>Progress</u> Engagement and consultation – developed an improved system for better planning of engagement and consultation activity. This was introduced to managers at the WF20 meeting where different forms of consultation were discussed and it was agreed that this should be planned with clearly identified desired outcomes. The planning of these genuine consultation exercises would create a consultation schedule throughout the year, reduce ‘consultation overload’ and would allow the comms team to advise managers on best practice. A proforma was developed which is available on the Intranet. This was</p>	<p>Improved consultation responses LGA Peer Review visit in later part of 2018</p>		

Agenda Item No. 11  
Appendix 1

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			also agreed with Cabinet members.			

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE****25<sup>th</sup> March 2019****Risk Management – Corporate Risk Register**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor N J Desmond
<b>RESPONSIBLE OFFICER:</b>	Corporate Director: Resources
<b>CONTACT OFFICER:</b>	Tracey Southall Tracey.southall@wyreforestdc.gov.uk
<b>APPENDICES:</b>	<b>Appendix 1</b> - Corporate Risk Register as at 31 <sup>st</sup> January 2019 <b>Appendix 2</b> – Budget Risk Matrix 2019~22

**1. PURPOSE OF REPORT**

- 1.1 To inform Members of the Audit Committee of the current Corporate Risk Register and the Budget Risk Matrix attached as Appendices 1 and 2.

**2. RECOMMENDATIONS**

- 2.1 **The Audit Committee are asked to CONSIDER AND NOTE the Corporate Risk Register and the associated mitigating actions as at 31<sup>st</sup> January 2019 and the 2019-22 Budget Risk Matrix.**

**3. BACKGROUND**

- 3.1 Council approved a Risk Management policy statement and strategy in February 2008. The approved Risk Management strategy requires that the risk register entries for the Council, both strategic and operationally is considered by the Audit Committee.
- 3.2 The authority manages a corporate risk register for the significant organisational risks. The risk registers are held within the Pentana Performance (formerly Covalent) computer application. Arrangements are in place to ensure that access is available to all officers who require it.
- 3.3 The Corporate Risk Register was subject to a fundamental review during 2011, this review was undertaken by the Corporate Management Team and the Cabinet in discussions facilitated by Zurich Municipal Management Services. Zurich also undertook a review of the 2016-17 Risk Register as part of an Information Governance Health Check reported to the Leadership Team in July 2016. This gave the leadership and management of risk by senior management a Level 3 – “Managed” rating and recommended that the Risk Register be refreshed to include more specific reference to Information Governance risk. This has been actioned and is included in Appendix 1.
- 3.4 In addition to this external review, the Risk Register is reconsidered and updated annually by the Corporate Leadership Team (CLT). This ongoing review is led by

the Corporate Director: Resources in liaison with the Cabinet Member for Resources. The Corporate Risk Register for 2018-19 is attached at Appendix 1; it has been developed and approved by the Corporate Leadership Team with input from all Service Managers as appropriate.

- 3.5 The Corporate Risk Register is closely allied to the Budget Risk Matrix approved annually by Council as part of the Medium Term Financial Strategy and updated as part of the Quarterly Budget Monitoring reports attached as Appendix 2.

#### **4. KEY ISSUES**

- 4.1 Risk Management is embedded within the Council through the Corporate Risk Register. Any report considered by Members includes a Risk Management Section and in addition to this, specific registers are maintained and monitored separately for significant individual projects.
- 4.2 The Budget Risk Matrix is closely allied to the Corporate Risk Register and is reported to Members as part of the budget process. It is updated at least quarterly and reported as part of the regular Budget Monitoring Reports to Cabinet.
- 4.3 The external auditors Grant Thornton have recognised the work the Council has achieved in this area and has previously acknowledged *“There is also an effective Audit Committee in place (which GT attend and actively participate at) which provides robust challenge on financial matters and assurance on risk management arrangements”* Source: Value for Money conclusion 2014-15, Strategic financial planning and Financial governance pages 29 and 31 of agenda papers.

The Value for Money conclusion for 2017-18 provided by Grant Thornton as part of Annual Audit Letter reported to Audit Committee on 30<sup>th</sup> July 2018 that considers significant risks faced by the Council concluded that:

*“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”* page 11 of the agenda

[http://www.wyreforest.gov.uk/council/docs/doc53440\\_20180730\\_audit\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc53440_20180730_audit_agenda.pdf).

- 4.4 The 2016-17 external review of the Risk Register by the Zurich Senior Strategic Risk Consultant in July also provides additional assurance for the Council.
- 4.5 It is appropriate for the Audit Committee to consider the current Corporate Risk Register attached at Appendix 1, updated to the end of January 2019 and agreed by CLT. The Corporate Risk Register will continue to be reported on a 6 monthly basis to the Audit Committee, following consideration by the Corporate Leadership Team.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 There are no financial implications arising from this report.

#### **6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 Regulation 3 of the Accounts and Audit Regulations 2015, state that:

*“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.”*

- 6.2 In addition Regulation 4 of the Accounts and Audit Regulations 2015 also state that: *“The financial control systems determined must include measures to ensure that risk is appropriately managed”*.
- 6.3 The Council’s corporate Governance Framework considered by the Audit Committee on 17<sup>th</sup> March 2008, includes Core Principle 4 - Taking informed transparent decisions which are subject to effective scrutiny and management of risk.

## **7. RISK MANAGEMENT**

- 7.1 The consideration and management of risk is good practice. Risk Management processes are required to effectively manage and evidence the management of key risks as an aid to achieving the Council’s corporate objectives and demonstrating good Corporate Governance allowing Managers to manage their risks and bring to a corporately acceptable level.
- 7.2 Financial risk continues to be the most significant risk facing this Council and many others and this is increased due to the uncertainty surrounding the Funding Reform. Sections 25-27 of the Local Government Act 2003 require the Section 151 Officer to report on the robustness of the estimates and the adequacy of its proposed financial reserves and this is included as Appendix 4 to the MTFs Council report approved by Council on 27<sup>th</sup> February 2019:  
[http://www.wyreforest.gov.uk/council/docs/doc54257\\_20190227\\_council\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc54257_20190227_council_agenda.pdf)

## **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 The corporate risk management process ensures that risks are monitored and action taken to minimise the impact on the Council. The Corporate Risk Register and Budget Risk Matrix as attached at Appendices 1 and 2 provide a realistic overview of the major risks affecting the Council and will be monitored on a regular basis by the Corporate Leadership Team with six monthly reports to the Audit Committee.

## **10. CONSULTEES**

- 10.1 Corporate Leadership Team.  
10.2 Cabinet Member for Resources.

## **11. BACKGROUND PAPERS**

- 11.1 The Annual Audit Findings report – Audit Committee 31<sup>st</sup> July 2017

**Agenda Item No. 12**

- 11.2 The Annual Audit Findings report – Audit Committee 30<sup>th</sup> July 2018
- 11.2 Risk Management: Corporate Risk Register Report – Audit Committee – 26<sup>th</sup> November 2018
- 11.3 Medium Term Financial Strategy Report 2019-22 – Cabinet 18<sup>th</sup> December 2018  
[http://www.wyreforest.gov.uk/council/docs/doc54089\\_20181218\\_cabinet\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc54089_20181218_cabinet_agenda.pdf)
- 11.4 Medium Term Financial Strategy Report 2019-22 – Council 27<sup>th</sup> February 2019  
[http://www.wyreforest.gov.uk/council/docs/doc54257\\_20190227\\_council\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc54257_20190227_council_agenda.pdf)

# Corporate Risk Register 2018/19



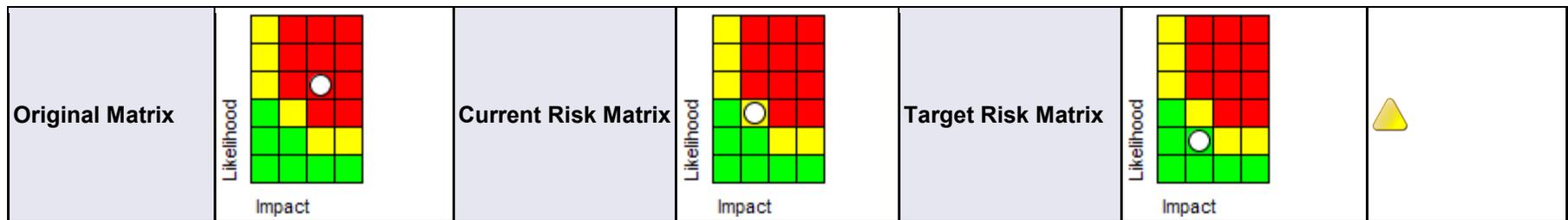
Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

<b>CORPRISK01</b>	<p><b>Unable to implement and embed new ways of working.</b> The Council continues to undergo major transformational change that embraces review of processes, cultural and behavioural change, increased standards of delivery etc. Continue to use systems thinking methodology and apply current values in continuous improvement work. The bold and innovative policies for development loans fund and the capital portfolio fund, together with capital portfolio in the depot to improve the Council's commercial offer, are significant and must be carefully managed with risk mitigated by robust due diligence and use of external expertise and alternative service delivery vehicles as appropriate.</p>					
	<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>	

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Regular CLT/ cabinet meetings focussed on change, demonstrating leadership by example and maintained by regular updates at corporate briefings and team meetings etc.	Corporate Leadership Team; Ian Miller	31-Mar-2019	Monthly Cabinet/CLT meetings discuss a range of strategic issues and opportunities for change. Round of Corporate Briefings held in June, October and in February 2019.	75%	

Use of external expertise to identify and manage commercial opportunities and advise on the most appropriate mode of service delivery.	Corporate Leadership Team; Linda Draycott; Mike Parker	31-Mar-2019	We will continue to use external expertise as required e.g. retail, tourism, catering etc. but all other work is ongoing.	75%	
Demonstrating robust and focussed leadership in all transformation activity	Rachael Simpson	30-Sep-2019	<b>Induction and Onboarding</b> Due date amended due to other work priorities. Initial information gathering work continues. <b>HR pages - COLIN</b> New COLIN launched 9th July 2018. There will be ongoing work on the HR pages to ensure they remain up to date and the self service element is developed. <b>Developing leadership and personal capability</b> Ongoing support and advice provided	88%	
Design and publish new Corporate Plan. Preliminary design work for process to be complete by the end of March 2019. Council approval scheduled for September 2019.	Ian Miller	30-Sep-2019	Initial testing of public views in Viewpoint Survey 2018 Report to Council in May 2019 on process	5%	

<b>CORPRISK02</b>	<p><b>Unable to improve the economic prosperity of the district.</b> Lack of vitality in the local economy - although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy. The Council is now in its seventh year of the State of the Area Programme which includes a number of projects to assist in the stimulation of economic recovery. The Council is host of the North Worcestershire Economic Development and Regeneration Service and a member of two Local Enterprise Partnerships and continues to maximise the benefit of that position. The Business Rates Retention Scheme introduced in 2013/14 increases the incentive to promote growth as there is significant financial risk to this Council if we are unable to sustain the baseline level of the business rates reflected in government projections. The detail in relation to reform of the Business Rates System towards 75% retention and Fair Funding Review is still evolving. We will continue to review our position as more information is released. Membership of the Worcestershire Business Rates Pool can only mitigate this risk to a certain extent and economic growth is key to the future financial sustainability of the Council, this may change following Business Rates Reform. Risk of LEP review removing right to be in two LEPs. Successful bid for 75% rate retention pilot for 2019/20 but all net proceeds will be invested in activity to reduce social care pressures. The impact of Brexit influences this risk.</p>
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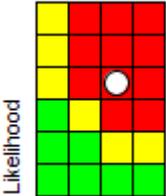
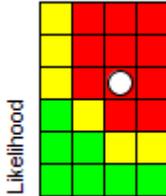
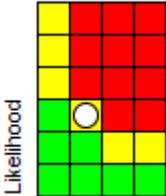


MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to implement actions from the Worcestershire Housing Partnership Plan including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2019	The Local Plan Review continues to consider the responses to the pre-submission documents – sites have been identified and commissioned work completed. Work continues with partners around Housing and Health. Tackling Homelessness and Rough Sleeping and Recommissioning the Home Improvement Agency.	90%	
<b>Collection of Council Tax and Business Rates</b> Local Council Tax Reduction Scheme now requires approximately 5000 Customers to pay at least 20% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention Scheme now requires Local Authorities to focus on Business Rate collection to avoid further financial pressure.	Lucy Wright	31-Mar-2019	As at 1st Feb 19, Council Tax in year collection rates are at 94.62% compared to 94.40% last year. NNDR in year collection rates are at 91.83% compared to 90.77% last year. An additional £1m has been collected against previous years' arrears. Business rates avoidance continues to be an issue as reported to O&S in Oct 2017. Review of Council Tax Reduction Scheme to ensure smooth operation alongside Universal Credit - changes to take effect April 2019	90%	
Generation of additional Business Rates Income through continued delivery of regeneration and utilisation of new	Mike Parker	31-Mar-2019	Third quarter 2018/19 -2.16% decrease in third quarter from £26,629,897 down to £26,054,701. The	75%	

policies for development loans fund and capital portfolio fund.			decrease is still mainly due to a large industrial unit undergoing renovation and the rateable value of £477,500 going down to nil whilst the work is undertaken. Also five schools have become academies and therefore now receive 80% Mandatory rate relief, and Crown House, Kidderminster has been nil rated. Also several large units have become exempt.		
Influencing a positive outcome to the LEP Review, taking account of the potential impact of the Brexit process.	Ian Miller; Mike Parker	31-Mar-2019	Still awaiting outcome of government deliberations.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #ccccff; display: flex; align-items: center; justify-content: center;">50%</div>	
Crown House/Kidderminster Western Gateway	Mike Parker	31-Dec-2019	Final agreement for demolition of building and surrender of lease agreed between Council and Telereal Trillium 21st February. Demolition works expected to start spring 2019. Ongoing challenge to VOA decision with Tribunal set end of May 2019.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #ccccff; display: flex; align-items: center; justify-content: center;">90%</div>	
Redevelopment of former Lloyds Garage site and adjoining land (STC.4)	Mike Parker	01-Apr-2019	Financial viability of mixed use commercial and private rented residential very marginal. PSP reconsidering temporary accommodation as an alternative to private rented as this may be more financially advantageous.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #ccccff; display: flex; align-items: center; justify-content: center;">50%</div>	
Lion Fields - Regeneration of Bromsgrove Street/Worcester Street area of Kidderminster to support town centre viability (split into three individual sub actions)	Mike Parker	31-Mar-2020	Parcel 1: Cordwell still negotiating with cinema operator; Draft Heads of Terms with Cordwell to agree with a view to cinema operator finalising at March Board meeting. Cordwell have approval from funding partner Peveril Securities. Revised Development Agreement with Council to finalise and negotiate update with County Council.  Parcel 2: Intend to utilise Homes England	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #ccccff; display: flex; align-items: center; justify-content: center;">25%</div>	

			<p>Delivery Partner Panel to secure a development partner for the former magistrates' court. However, as the building is now Grade II listed it will narrow the field of interest.</p> <p>Parcel 4: February Cabinet agreed vision for remainder of Bromsgrove Street area. Agreed to submit Future High Streets Fund bid for all of Lion Fields area, due 22nd March 2019.</p> <p>Parcel 5: Works under way and continuing into spring/summer 2019.</p>		
To complete the redevelopment of forecourt and tickets office at Kidderminster Railway Station	Mike Parker	31-Dec-2019	Pedestrian crossing signals now operational. Drainage investigation underway.	80%	

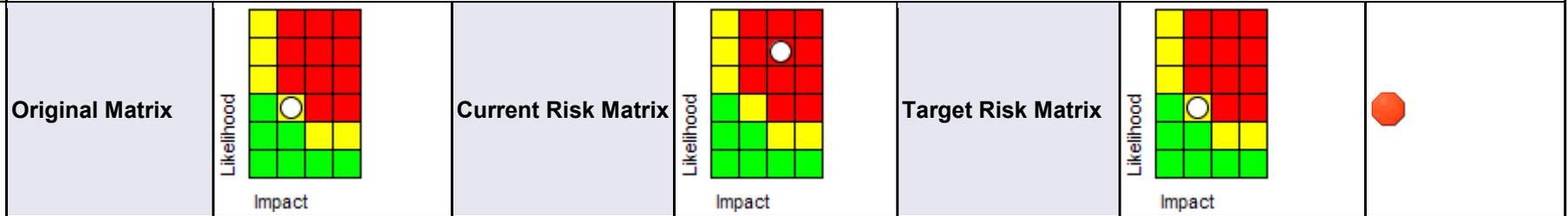
**CORPRISK03** **Unable to deliver good quality, affordable homes.** The need for good quality, decent and affordable homes in the district is increasing but supply relative to demand is decreasing. The emerging national position regarding changes in the National Planning Policy Framework the Voluntary Right to Buy pilot in the West Midlands.

<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to implement actions from the Worcestershire Housing Partnership Plan including any outcomes as a result	Kate Bailey	31-Mar-2019	The Local Plan Review continues to consider the responses to the pre-submission documents – sites have been	90%	

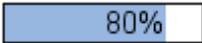
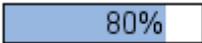
of the review of the Local Development Plan.			identified and commissioned work completed. Work continues with partners around Housing and Health. Tackling Homelessness and Rough Sleeping and Recommissioning the Home Improvement Agency.		
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**CORPRISK04** **Unable to deliver a sustainable budget for the long term.** The 2018/21 Medium Term Financial Strategy projected a much lower level of government funding over the next 2 years with RSG being phased out completely by 2019/20 and NHB being reformed for which no funding is paid than previously expected. The success of this strategy is reliant on the delivery of significant savings to close the funding gap of circa £1.6m per annum by 2021. This ambitious programme of savings and income generation must be carefully managed by the Leadership team (officers and members) and achieved. The reliance on external income streams/funding brings with it increased risk around the continuation of these income streams that are based on the decisions of third parties. The Business Rates Retention Scheme and the imposition of further reductions/cessation in Government funding streams represents significant corporate financial risk. These risks include the uncertainty around the future of New Homes Bonus as it is clear that there will be a significant reduction in this key funding stream. Business Rates reform, growth and the risk of Appeals resulting in lower Business Rates yield represent a key risk to future sustainability. The two significant council policies for development loans fund and capital portfolio fund should help generate both housing and business growth whilst also generating a net revenue income stream to help alleviate the significant financial pressures. Progression of proposals for a Financial Resilience Index by the Chartered Institute of Finance and Accountancy (CIPFA) may prompt further challenge to our future financial resilience. The Council will also need to respond to the findings of the follow up visit by the LGA peer review team. This is closely allied to Corporate Risk 03.



MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Prepare budgets in accordance with all legislative requirements and the Council's Finance Strategy, taking into account the significant changes in the	Tracey Southall	31-Mar-2019	The MTFs and the Capital Strategy went to Cabinet on the 18th December 2018. The three Cabinet Financial Strategy Advisory Panels have been held with the	90%	

<p>funding regime, increased risk and diminishing reserves available and reduced capacity following various restructures. Brexit adds further uncertainty and complexity.</p>			<p>alternative budgets presented at the second meeting on the 8th January and revised Cabinet proposals and budget consultation results considered by 31st January meeting. Final settlement announced 29th January 2019 and this has been reflected in the February Cabinet and Council reports.</p>		
<p><b>Collection of Council Tax and Business Rates</b> Local Council Tax Reduction Scheme now requires approximately 5000 Customers to pay at least 20% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention Scheme now requires Local Authorities to focus on Business Rate collection to avoid further financial pressure.</p>	Lucy Wright	31-Mar-2019	<p>As at 1st Feb 19, Council Tax in year collection rates are at 94.62% compared to 94.40% last year. NNDR in year collection rates are at 91.83% compared to 90.77% last year. An additional £1m has been collected against previous years' arrears. Business rates avoidance continues to be an issue as reported to O&amp;S in Oct 2017. Review of Council Tax Reduction Scheme to ensure smooth operation alongside Universal Credit - changes to take effect April 2019</p>	<p>90%</p>	
<p>Municipal Mutual Insurance Clawback - Budget Pressure</p>	Tracey Southall	31-Mar-2019	<p>A further potential claim is currently being considered but liability not confirmed at this early stage.</p>	<p>80%</p>	
<p>Regular meetings to facilitate effective communications. Regular additional Cabinet/ CLT meetings in 2018 to focus on future financial strategy and Wyre Forest Forward savings achievement.</p>	Corporate Leadership Team; Ian Miller	31-Mar-2019	<p>Away day in October has shaped Medium Term Financial Strategy. Programme of meetings for 2018 - 2019 including local plan.</p>	<p>75%</p>	
<p>Implementation of new policies for development loan fund and capital portfolio fund. Use of external support/expertise to manage fund and produce each business case/perform due diligence. Latest MHCLG investment guidance and revised Codes of Practice for Prudential Code and Treasury</p>	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2019	<p>Contract with Finance Birmingham finalised 29th October 2018. Documentation for working procedures and processes currently being finalised. No formal approaches yet made by potential applicants for loans.</p>	<p>60%</p>	

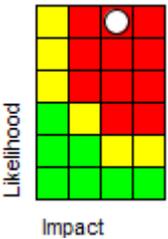
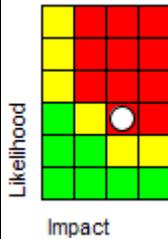
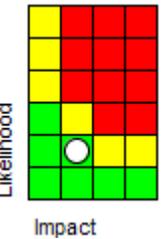
Management reflected in Capital Strategy. Close monitoring of economic outlook/external factors influencing market rates.					
Business Rates Retention Scheme. To continue to contribute to the reform debate to maximise the council's future position.	Tracey Southall	31-Mar-2019	The pan Worcestershire 75% business rates pilot was approved as part of the provisional finance settlement on the 13th December 2018. This should enable circa £5million growth to be retained with in Worcestershire. Monthly monitoring of in year growth and cost of appeals is on track.		
To continue to progress the Corporate Fraud role assigned to the Senior Auditor/Corporate Fraud Officer to focus on non-benefit fraud, continue to raise awareness of national issues as part of the Fighting Fraud and Corruption Locally Agenda working in close liaison with Services and ICT. This will include focus on non-benefit fraud there will also be close liaison with the Compliance resource within the Revenues team with updates to the Audit Committee. The Corporate Fraud Officer will also be the single point of contact to engage with serious and organised crime local multi agency partners to mitigate the risk of procurement fraud.	Cheryl Ellerton; Tracey Southall	31-Mar-2019	Continuing updates on current issues, both on the Fraud Page on COLIN, articles in Wyred Weekly supported by prominent posters across Wyre Forest House and Green Street. Data sets have been provided to the Cabinet Office as part of the mandatory 2018~19 National Fraud Initiative data matching exercise for the prevention and detection of fraud to include, Payroll, Creditors, Housing Benefits, Council Tax Reduction {Local} Scheme and Licensing data. The outcome of matches with Wyre Forest District Council to other national data sets due for release and review end of January 2019. As at 1st February 2019, data matches have been released by the Cabinet Office for Housing Benefit Claimants and Council Tax Reduction Scheme Applicants to national and local data sets and these are currently under review by the Compliance Officers. As part of the on-going raising awareness campaign it is intended to include an i-learn package as part of the corporate		

			training for colleagues.		
Green street depot 2020 improvement and investment plan	Steve Brant; Linda Draycott	31-Mar-2020	Interclass appointed as contractors. Date of possession 19th November 2018. Date for completion Summer 2019. Contract period 28 weeks. Arrangements made with Kidderminster Town Council for an extension of the land occupied by Customer Services as necessary.	60%	▶
Implementing redevelopment proposals to generate new revenue streams	Mike Parker	31-Mar-2020	Fourth acquisition exchange imminent dependent upon receipt of remaining paperwork.	30%	▶
Universal Credit	Lucy Wright	31-Mar-2019	Full service Universal Credit was rolled out in Wyre Forest in Nov 2018. The team are preparing for the changes and the Council has agreed amendments to the Council Tax Reduction Scheme with effect from April 2019. The impact on housing benefit overpayment and council tax recovery will continue to be monitored.	90%	▶
Findings of follow up to Peer Review	Ian Miller	31-Mar-2020	Prepare action plan in response to findings and implement from mid 2019 onwards	0%	▶

<b>CORPRISK05</b>	<b>Council 'misses' important issues and/or is in breach of a requirement.</b> The Council is a small organisation but it is still expected to respond to, and comply with, new legislation, strategies, audit requirements, health and safety requirements and inspection regimes to meet our insurer's high standards.					
	<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>	

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Support and advice on major strategic projects to ensure sound and robust arrangements including Capital Portfolio and development loans fund.	Jane Alexander	31-Mar-2019	Work continues and on schedule for completion by 31st March 2019.	<div style="width: 50%;"><div style="background-color: #4f81bd; height: 10px; width: 50%;"></div></div> 50%	
To ensure the leadership team keeps abreast of statutory changes in legislation and seek to influence consultation and seek to prepare for changes in legislation.	Caroline Newlands	31-Mar-2019	Work continues and on schedule for completion by 31st March 2019. Homeless Reduction Act successfully implemented April 2018; roll out of Universal Credit November 2018	<div style="width: 50%;"><div style="background-color: #4f81bd; height: 10px; width: 50%;"></div></div> 50%	
Training Support and advice for Service Managers from Zurich Municipal Risk Management Specialists as part of our insurance contract	Caroline Newlands; Tracey Southall	31-Mar-2019	Formal report and training with service managers has now taken place. Recommendations, together with an action plan, reported to CLT on the 2nd October and a positive strategy approved.	<div style="width: 100%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 100%	
Continue to improve and develop Strategic management of information governance risks including follow up of Zurich Municipal annual review recommendations	Corporate Leadership Team; Tracey Southall	31-Mar-2019	GDPR continues to be monitored by the Information Governance Group and other strategic management issues in relation to this high profile area as they emerge.	<div style="width: 75%;"><div style="background-color: #4f81bd; height: 10px; width: 75%;"></div></div> 75%	
Budgetary Control - further development of reporting to include demand-led commercial income and early identification of variances to approval	Tracey Southall	31-Mar-2019	The MTFs Cabinet report on the 18th December 2018 included quarter 2 variances and the quarter 3 report is to go to March 26th Cabinet. The development of the commercial income reporting is well progressed with a template approved and more detailed cost analysis by service managers underway.	<div style="width: 70%;"><div style="background-color: #4f81bd; height: 10px; width: 70%;"></div></div> 70%	

<b>CORPRISK06</b>	<b>Implementation of ICT Strategy.</b> There continues to be significant investment in the development of technology at the Council. The ICT Strategy was agreed in February 2018 as part of the budget process and is being implemented across the authority with progress and governance provided by the ICT Strategy Board. A number of new websites have been implemented and the focus continues to be on supporting the move to greater self-service by customers, ensuring continued PSN compliance, update systems to ensure best value / efficiencies and refreshing ICT platforms / systems to deliver ICT services / and systems over the Medium Term Financial Strategy. There are emerging issues around some integration limitations that may hinder
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	<p>some transformation workstreams. A risk of reliance on key suppliers for, network products also exists as the ICT market is very fast paced and companies can frequently be subject to merger/changed ownership. The Council needs to be aware of software support expiry dates; consideration of this issue is included within the ICT Strategy for replacement of corporate system i.e. Office and business systems. The Council needs to maintain high levels of Cyber Security to protect against malware, hacking etc.</p>					
<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		

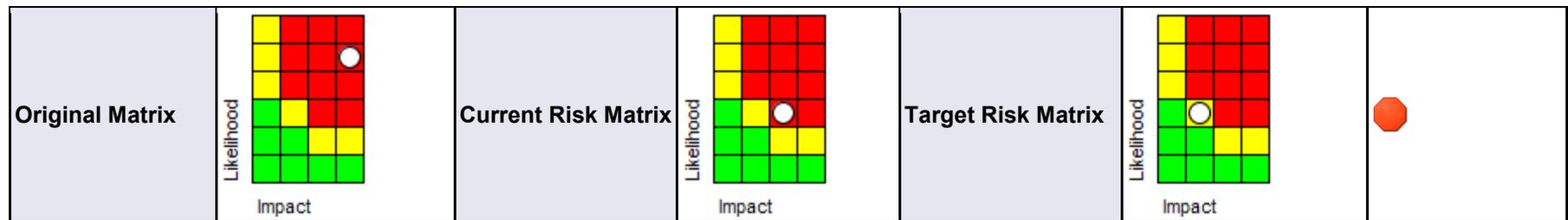
MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to deliver the ICT Strategy to achieve additional efficiency savings.	Dave Johnson	31-Mar-2023	See detailed updates below.	<div style="width: 28%;"><div style="background-color: #4f81bd; height: 10px;"></div>28%</div>	
Supporting the Commercial Agenda including digital by default. Review the booking systems and replace, review and replacement of GIS and on-line planning	Dave Johnson	31-Mar-2023	eStore is now live with approx. 500 accounts signed up. Still 2 or 3 issues outstanding for Civica to resolve. Govdelivery project to provide digital updates, newsletters and proactive alerts is now live also. ICT are involved in a number of other income generation projects to ensure payments and quotes can be done electronically.	<div style="width: 25%;"><div style="background-color: #4f81bd; height: 10px;"></div>25%</div>	
Digital by Default is the expected method of interacting with the Authority	Dave Johnson	31-Mar-2023	ICT continue to work with Digital project group programme of work. Group current priorities are:-  – eStore is now live with approx. 500 accounts signed up. - Govdelivery project to provide digital updates, newsletters and proactive alerts	<div style="width: 25%;"><div style="background-color: #4f81bd; height: 10px;"></div>25%</div>	

			<p>is now live</p> <ul style="list-style-type: none"> <li>- Continue to promote our services using our social media channels on-going</li> <li>- Investigate use of Chat Bots</li> <li>- On-going review of webpages including Depot and Revs &amp; Bens pages</li> <li>- 2 new website going live in the next couple of weeks with other refreshes planned</li> <li>- On-going promotion of digital services e.g. ebilling</li> <li>- Interactive Voice Response</li> <li>- linking front and back office</li> </ul>		
<p>Application Software</p> <ul style="list-style-type: none"> <li>o MS Office</li> <li>o Planning system</li> <li>o Garage system</li> <li>o CRM</li> </ul>	Dave Johnson	31-Mar-2023	<p><b>Planning / Land Charges</b> – Following tasks have been completed or are in progress</p> <ul style="list-style-type: none"> <li>. IDOX installing software including Planning, Land Changes and EDM software now complete</li> <li>. Training has been booked and training room set up, training starts W/C 21st Jan</li> <li>. Data scoping now signed off</li> <li>. Tasks identified as part of data scoping e.g. data matching has commenced. Data matching has taken significant IT time and is also beginning to need resources in planning and Land Charges.</li> </ul> <p><b>M3</b> - Upgrade of system used for Housing / Water Management is challenging most of work has been complete but still a number of issues outstanding and no go live date yet agreed due to Northgate issues. which they have apologised for,</p>	<div style="border: 1px solid black; width: 100px; height: 15px; background-color: #4F81BD; position: relative;"> <span style="position: absolute; right: 5px; top: 5px;">25%</span> </div>	▶

			they have added new people in team and are doing a lot more testing before releases. Need to upgrade to a newer version when its available.		
<p>ICT Infrastructure</p> <ul style="list-style-type: none"> <li>o New Wireless</li> <li>o Complete Firewalls</li> <li>o Complete data line install</li> <li>o Shoretel upgrade</li> <li>o VMWare upgrades</li> <li>o Mobile Phones</li> </ul>	Dave Johnson	31-Mar-2023	<p><b>Depot Server Room:</b> - Server room was commissioned W/C 29th October and handed over on 2nd November. Commissioning process has been complete following delivery of Generator.</p> <p><b>WAN Lines:</b> - 3 new lines are in, due to move over to new line W/C 21st January</p> <p><b>LAN Infrastructure:</b> - Network switches have been procured to support new site. Old server room decommissioned W/C 21st January.</p> <p><b>Core LAN Switches:</b> - New switches have been delivered and due to be configured W/C 4th Feb with installation and testing weekend of 9th Feb.</p> <p><b>Backup:</b> - Tender for back up and additional backup for Cyber Resilience was due to be published W/C 14th January with a submission date of the end of January and an implementation at the start of April.</p> <p><b>Wireless:</b>- tender due to be published January 2019</p> <p><b>Thin Clients:-</b> Currently rolling out of 100 + new thin client devices to replace non supported / non PSN compliant devices. Town Hall and WFH completed, home workers due to be rolled out to next.</p> <p><b>Citrix:-</b> Build of new Citrix environment is currently behind schedule by approximately 2 months due to workloads including SCCM upgrade, Depot 2020 project and IDOX planning system. Due to start testing with users imminently.</p>	35%	

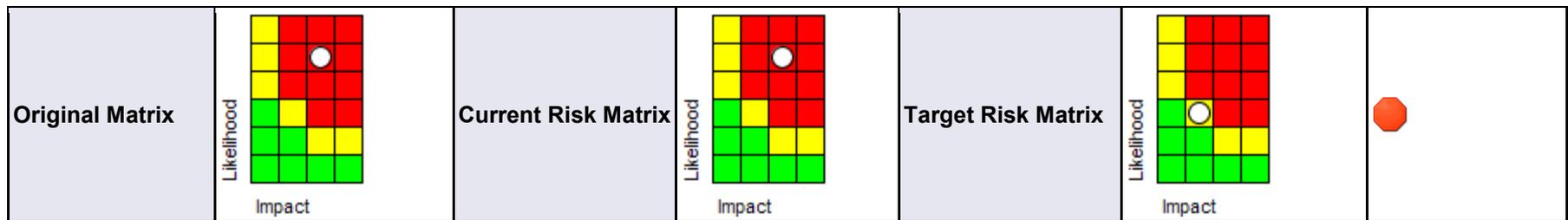
<p>Review and Update Security Systems including Firewalls/ Web filter/New Email Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)</p>	<p>Dave Johnson</p>	<p>31-Mar-2023</p>	<p>Security – Looking at rolling out a number of changes as part of laptop roll out including VPN always on and Umbrella Client. Images for new laptops have been built and sent to supplier before Christmas. Laptops due to be delivered early January. Will then need encrypting before deploying to users. ICT Policy changes have been made and agreed by security group Core LAN Switches: - New switches have been delivered and due to be configured W/C 4th Feb with installation and testing weekend of 9th Feb. Tender for back up and additional backup for Cyber Resilience published W/C 14th January now awarded. Start date awaited. Look at running cyber security exercise in the next few months and additional training identified following the exercise ICT Strategy board has agreed a program of work for the next 6 -12 months</p>	<p>30%</p>	
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<p><b>CORPRISK07</b></p>	<p><b>Not able to maintain a skilled and motivated workforce.</b> Against the background of the continued move away from the National Pay Agreement a second local agreement was implemented in 2018 with locally agreed modest pay increases and other changes to conditions. The Council needs to continue to maintain a workforce with adequate capacity, skills, experience and motivation – so still being seen by staff as a good employer. The Council has started to experience recruitment and retention issues in some areas e.g. HGV drivers. Various restructures following the move to the Wyre Forest House has provided slimmer management structures and more devolution of responsibility which should assist in motivation and retention of the workforce, alongside a management development programme. The age profile of the workforce and increasing number of employees aged 55 and over needs to be considered together with succession planning in future workforce restructures. The Council will need to respond to findings from the peer review follow up visit that relate to workforce issues.</p>
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Progression of Wyre Forest Futures Leadership Development Programme and training and development budget to support it.	Rachael Simpson	31-Mar-2019	New nominations for Management and Leadership Programmes submitted to CLT. Programmes to commenced February and March 2019.	<input type="text" value="100%"/>	
Develop initiatives to support any workforce through organisational change including involvement of staff through suggestion scheme and System Thinking. The continued practice of regular staff surveys allows the leadership team to develop initiatives to respond positively to feedback and suggestions.	Rachael Simpson	31-Mar-2019	Ongoing through the Organisational Development (OD) Strategy and Wyre Forest Forward Programme. Review of combining a new OD Strategy with a Workforce Development Strategy, Ready for implementation – July 2019 Staff survey undertaken Autumn 2018 - action plan developed.	<input type="text" value="75%"/>	
Findings of follow up to Peer Review	Ian Miller	31-Mar-2020	Prepare action plan in response to findings and implement from mid 2019 onwards	<input type="text" value="0%"/>	

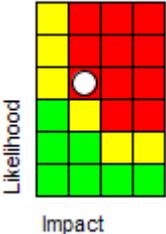
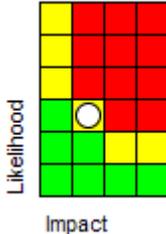
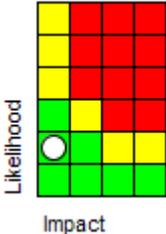
<b>CORPRISK08</b>	<p><b>Capacity to do everything is insufficient.</b> A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, review of partnerships, reviews of further shared services with Redditch and Bromsgrove to commence in 2019. The pace of change and need to continue to deliver key projects, represent a significant resourcing risk. This leads to concerns about sufficient capacity to deliver the Wyre Forest Forward Savings/ efficiency plan and the ability to provide effective leadership for the management of the Council. This is particularly true given the increased savings targets from 2019/20 as a result of reductions in central government funding and the additional resource required to deliver the policies for development loans fund and capital portfolio fund.</p>
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure resources are monitored and managed to protect capacity issues when Systems Interventions take place. The Innovation Fund is used to allocate funding to support interventions and consideration will be given to topping up this reserve at year end.	Ian Miller	31-Mar-2019	Allocations from the fund are regularly considered by CLT and past allocations reviewed if no longer required. Further top up being considered from revenue savings in 2019/20.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #ADD8E6; display: flex; align-items: center; justify-content: center;"> <span>60%</span> </div>	▶
Ensure involvement of appropriate staff from both within and outside WF20 onto projects to spread resourcing and maximise the opportunities for success.	Ian Miller	31-Mar-2019	Cross directorate working groups on Digital First and Information Governance. Staff from appropriate teams involved in other projects e.g. Capital Portfolio Fund. Shared service reviews with Redditch and Bromsgrove to be led by staff from all three councils.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #ADD8E6; display: flex; align-items: center; justify-content: center;"> <span>40%</span> </div>	▶
Progressing changes to monitoring attendance levels. Working closely with employees, maintaining conversation and development opportunities in accordance with our values and the Worcestershire works well agenda.	Rachael Simpson	31-Mar-2019	On going support being provided to employees to assist with their well-being and supporting managers to proactively manage staff sickness Increased focus on data analytics to identify 'hot spots' and specific reasons for absence Mental Health Standards developed. Time to Talk Pledge signed by Leader and Chief Executive.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #ADD8E6; display: flex; align-items: center; justify-content: center;"> <span>85%</span> </div>	▶

Utilise external support for property investment /management expertise to expedite implementation of policies on loans to third parties and capital portfolio fund.	Mike Parker	31-Mar-2019	Tender evaluation completed and bidders notified of outcome 29th January; currently in standstill period before final appointment.	50%	
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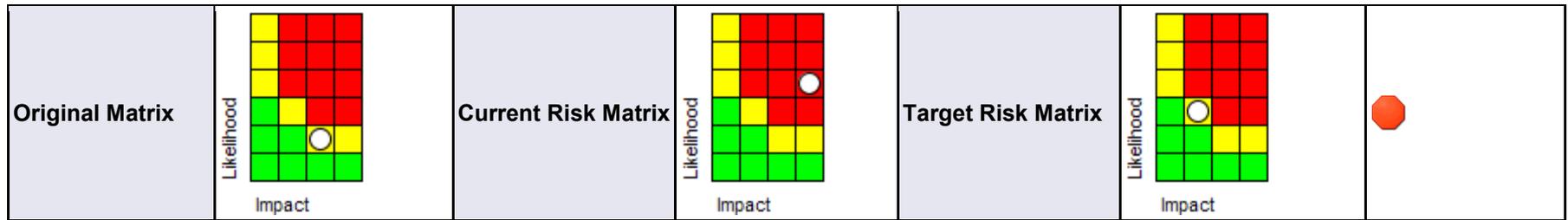
**CORPRISK09** **Unable to effectively improve the Council's reputation.** The Council's reputation is extremely important, progressive improvement is important and can be subject to political influence that is difficult to predict and control. Effective consultation and communication with increased focus on customer engagement (both internal and external) are key to this gradual progression - along with purposeful service delivery.

<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		
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**MITIGATING ACTIONS**

Description	Managed By	Due Date	Latest Note		
Continue with Corporate programme of Employee and Member Engagement	Kay Higman	31-Mar-2019	A proforma has been developed so that consultation and engagement could be planned and co-ordinated in advance. This form is now to be used to encourage planned and meaningful consultation. The aim is to provide a corporate overview and timetable of all planned consultations. Ongoing: Corporate briefings held regularly. Programme of proactive publicity.	100%	

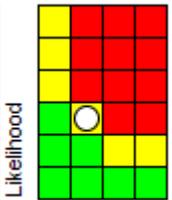
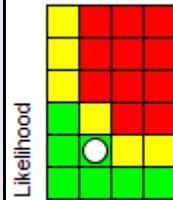
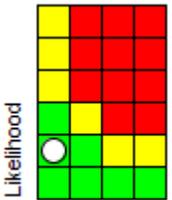
**CORPRISK10** **Unable to ensure a secure network which would make ICT vulnerable to attacks and threats.** The Council has successfully achieved PSN compliance but this needs to be managed and maintained. ICT to regularly review and assess threats and impacts on the network and generate a formal risk/incident log and any remedial account required or acceptance of residual risk by the organisation where judged appropriate.



MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ongoing patching of servers/workstations/software	Dave Johnson	31-Mar-2019	<p><b>Patching</b> is ongoing and all servers and desktop are in the progress of having their Anti Virus upgraded to the latest version.</p> <p><b>3rd Party SCCM Module</b> - New module that links to our patch management system (SCCM) to make it easier and quicker to update 3rd party software i.e. Adobe, Java etc. has now been set up with patches now ready to be deployed for a number of 3rd party applications</p> <p><b>PSN</b> – Awarded PSN accreditation in early September.</p>	30%	▶
Annual Penetration tests and network scans.	Dave Johnson	31-Mar-2019	Continue to Patch software via SCCM and new module. PSN services currently being reviewed follow Vodafone GCF service which supports the PSN running out later in the year. PSN are expecting Vodafone support for GCF services to continue for six months after March 2019. Looking at Cyber exercise later in year and limiting access to social media and personal email.	50%	▶
Review and Update Security Systems including Firewalls/ Web filter/New Email	Dave Johnson	31-Mar-2023	Security – Looking at rolling out a number of changes as part of laptop roll out	30%	▶

Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)			<p>including VPN always on and Umbrella Client. Images for new laptops have been built and sent to supplier before Christmas. Laptops due to be delivered early January. Will then need encrypting before deploying to users.</p> <p>ICT Policy changes have been made and agreed by security group</p> <p>Core LAN Switches: - New switches have been delivered and due to be configured W/C 4th Feb with installation and testing weekend of 9th Feb.</p> <p>Tender for back up and additional backup for Cyber Resilience published W/C 14th January and awarded. Start date awaited.</p> <p>Look at running cyber security exercise in the next few months and additional training identified following the exercise</p> <p>ICT Strategy board has agreed a program of work for the next 6 -12 months</p>		
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**CORPRISK11** **Unable to deliver satisfactory services through alternative Service Delivery Models including Shared Service arrangements and the potential devolution of services public service reform and/or combined arrangements.** The Council is partner in a number of Shared Services - Worcestershire Regulatory Services, Emergency Planning, Water Management, Payroll, Building Control, Economic Development and Regeneration - and is either host to the Shared Service or a partner in receipt of a service. The Council has entered into a Limited Liability partnership with Public Sector PLC and has approved the set up of a LATC in readiness for property/housing development utilising the capital portfolio fund where this is the most viable option. However there are always risks around the management of such arrangements, whether the work is being led by another organisation or led by the Council.

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
To ensure that governance arrangements are appropriate for all forms of service delivery including Public Private Partnerships (PPPs) and Local Authority Trading Companies (LATCs).	Caroline Newlands; Tracey Southall	31-Mar-2019	Work on the review of all shared services including governance is programmed as part of the next Wyre Forest Forward savings tranche.	75%	

<b>CORPRISK12</b>	<b>Effective/strategically focussed political leadership to cope with continuing significant challenges of reduced funding and changing legislative framework.</b> The move to All-out Elections every four years from 2019 may help future political stability but there is a risk of not having a political majority which could undermine decision making. Members will still need regular training and all-party updates to ensure skills and knowledge are kept up to date in these challenging times when effective leadership is key to future sustainability.					
	Original Matrix		Current Risk Matrix		Target Risk Matrix	

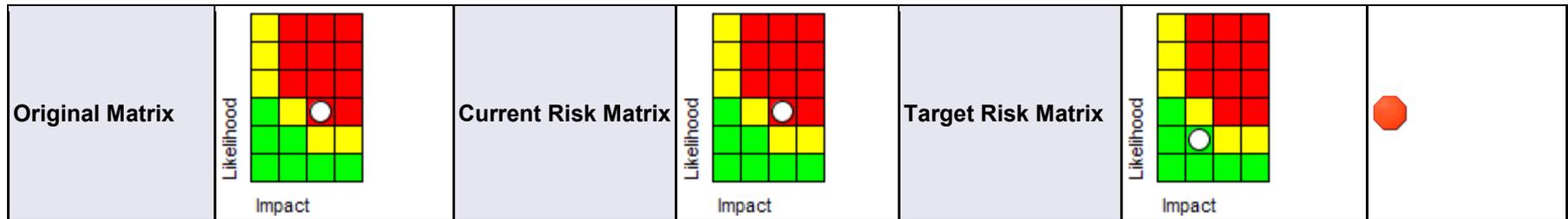
MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan undertaken in May - July 2018.	Ian Miller	31-Mar-2019	In progress. Meetings of group leaders supplemented with members' briefings and monthly members' bulletin. Member induction completed for May 2018 following elections.	75%	
Ensure newly elected members taking up lead positions in the Council are mentored to enable their skills to be fast	Ian Miller	31-Mar-2019	Completed.	100%	

tracked					
Training programme for all councillors for 2019-2023 to be designed, including induction training for all elected in May 2019 and refresher training in 2021 for planning and licensing	Ian Miller	30-Apr-2019	Draft programme to be discussed with group leaders, 26 March. Delivery from May 2019 onwards.	25%	

<b>CORPRISK13</b> Localism: Sustaining the pace and effectiveness of asset and service transfers to third sector parties, Parish and Town Councils							
	<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Effective operational arrangements for the oversight of governance for mutually beneficial partnerships with third parties.	Corporate Leadership Team; Caroline Newlands; Tracey Southall	31-Mar-2019	First set of accounts have been filed with companies house and dialogue with respective legal teams has taken place.	75%	
To ensure this Council keep abreast of the latest reorganisation developments and participates in the reorganisation debate to ensure it is not left in an isolated position.	Ian Miller	31-Mar-2019	Government has not announced any central plans for reorganisation but supporting locally led mergers. Situation continues to be monitored.	20%	

<b>CORPRISK14</b>	<b>Establishing a group structure - Local Authority Trading Company</b> Council on 21st February 2018 approved a group structure of Local Authority Trading Companies. Risks associated with this separate legal entity include legal, financial, governance and reputational factors. These will need to be managed and mitigated on an ongoing basis to protect both the LATC's and the Council's position.				
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
That external advice is taken to ensure the Council acts within correct legislation on individual proposals as appropriate.	Mike Parker	31-Mar-2019	External advice from Mazars including Anthony Collins Solicitors confirms ability for Council to act within current legislation	<input type="text" value="0%"/>	
Any financial transactions between the Council and the LATC e.g. lending through the Development Loan Fund will be subject to individual scrutiny and due diligence including financial viability sensitivity analysis before final decisions are proposed/taken.	Mike Parker; Tracey Southall	31-Mar-2019	<p>Holding company now registered with Companies House, subsidiary to follow, no business conducted as yet. Details of company below:</p> <p>Name &amp; Registered Office: Wyre Forest (Holdings) Limited                      Wyre Forest House                      Finepoint Way                      Kidderminster                      Worcestershire                      DY11 7WF</p> <p>Company No. 11451232</p>	<input type="text" value="0%"/>	
Through the shareholder agreement and through the establishment of the business plan within which the LATC operates, the Council will be able to ensure that all financial arrangements are viable	Mike Parker	31-Mar-2019	Company now registered but no transactions taken place yet	<input type="text" value="0%"/>	

In the event that a catastrophic event requires it the LATC will be closed down - an exit strategy will be considered as a contingency plan to protect the Council against unknown events in the future.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2019	Company now registered but no transactions taken place yet	0%	
The development activity of the LATC is financially self sustainable and not reliant upon funding from the Council	Tracey Southall	31-Mar-2019	Company now registered but no transactions taken place yet.	0%	
The Council ensures that only those officers and members of the Council who are able to take objective decisions are appointed to the LATC	Caroline Newlands	31-Mar-2019	Achieved with first appointment made - delegated decision published.	0%	
The LATC is able to purchase support from existing council officers until such time as it is able to or requires the appointment of its own staff	Mike Parker; Tracey Southall	31-Mar-2019	Company now registered but no transactions taken place yet.	0%	
The LATC Business Plan identifies a suitable pipeline of development opportunities and this will be refreshed and updated on a regular basis.	Mike Parker	31-Mar-2019	Company now registered but no transactions taken place yet	0%	
Changes to Prudential and Treasury Management Codes are considered in conjunction with the revised MHCLG Guidance on Investments and MRP and specific advice sought if further clarity is required on risk in relation to specific investment proposals in relation to the LATC Group structure.	Helen Ogram; Tracey Southall	31-Mar-2019	Company now registered but no transactions taken place yet with the company as property acquisitions are held in Council's name.	0%	
Using the external advice from Mazars individual projects will be monitored as the LATC business progresses.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2019	Company now registered but no transactions taken place yet. So far the work that has been done has been to confirm the LATC was not the right vehicle to use for property proposals.	0%	
Further training and guidance will be taken to ensure sufficient knowledge is	Helen Ogram; Tracey Southall	31-Mar-2019	Company now registered; no transactions yet taken place. Knowledge and learning	0%	

developed. The PWC VAT Helpline the Council already subscribes to will be used and other specialist advice taken as appropriate.			is actively being progressed as part of work with PSP and also property acquisition work with the LATC perspective considered in each case but not utilised so far. To be included as part of due diligence in specific business case proposals.		
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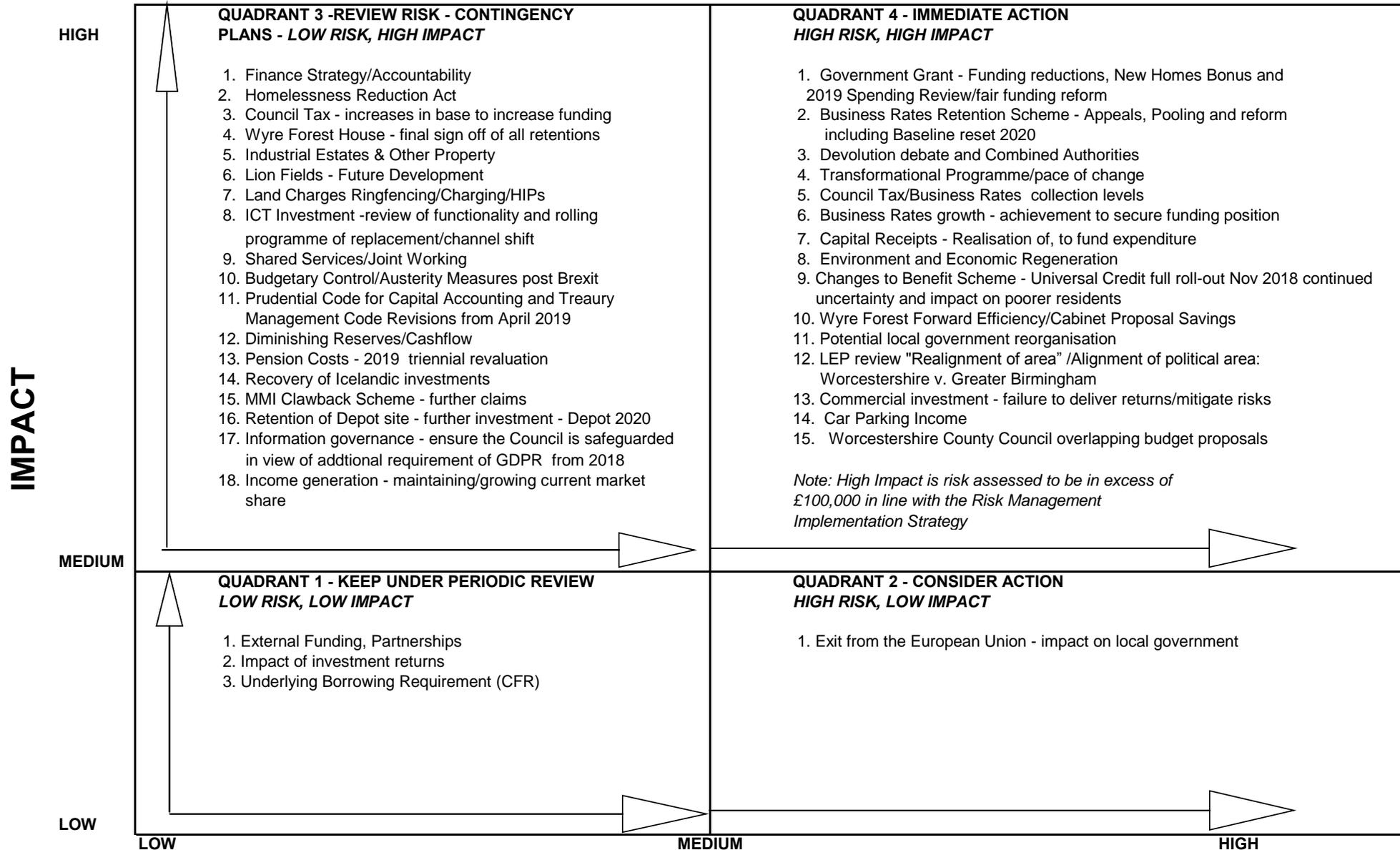
**CORPRISK15** **Local plan:** risk that timely and effective delivery of local plan might be jeopardised if issues raised in the consultation on the Pre-Submission Plan are not responded to positively. If realised, this risk could delay adoption of the Plan and expose the Council to significant additional costs associated with the Examination in Public; in a worst case scenario, the Inspector could require the Council to revisit some stages of the Plan to achieve 'soundness'.

<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		
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**MITIGATING ACTIONS**

Description	Managed By	Due Date	Latest Note		
Implementation of robust Local Plan up to 2036	Mike Parker	31-Dec-2020	Expect to report outcomes of pre submission consultation after May 2019 and to work towards agreeing final submission to Secretary of State in order for an Inspector to be appointed to undertake the Examination in Public.	<div style="border: 1px solid black; padding: 2px; display: inline-block;">75%</div>	

**BUDGET RISK MATRIX 2019/2022**



**Budget Risk Matrix**

ISSUE	BUDGETARY RESPONSE
<p><b>Quadrant 1 - Low Risk, Low Impact</b></p> <p>1. External Funding, Partnerships</p> <p>2. Impact of Investment Returns</p> <p>3. Underlying Borrowing Requirement (CFR)</p>	<p><b>Keep under periodic review</b></p> <p>Continue to evaluate sustainability of each scheme as part of project appraisal.</p> <p>Continue to monitor and report as appropriate. The Governor of the bank of England has indicated that the rate may increase further from the current 0.75% over the terms of the MTFP. Balances available for investment are reducing over the MTFP and this together with the low returns has been taken into account in the base budget. We continue to work with Link Asset Services in this area.</p> <p>The rising CFR over the term of the Budget Strategy will be carefully monitored in close liaison with Link Asset Services to gauge both the timing and type of external borrowing.</p>
<p><b>Quadrant 2 - High Risk, Low Impact</b></p> <p>1. Exit from the European Union</p>	<p><b>Consider Action</b></p> <p>To-date the impact has not been significant but this will be closely monitored.</p>
<p><b>Quadrant 3 - Low Risk, High Impact</b></p> <p>1. Finance Strategy/Accountability</p> <p>2. Homelessness Reduction Act</p> <p>3. Council Tax – increase in base</p> <p>4. Wyre Forest House final sign off of all retentions</p> <p>5. Industrial Estates and Other Property</p> <p>6. Lion Fields Gateway - Future Development</p> <p>7. Land Charges Ring fencing /Charging/HIPs</p> <p>8. ICT Investment/channel shift</p> <p>9. Shared Services Joint working</p> <p>10. Budgetary Control/Austerity Measures</p> <p>11. Prudential Code for Capital Accounting – Borrowing rates</p> <p>12. Diminishing Reserves/Cash flow</p> <p>13. Pension Costs</p> <p>14. Recovery of Icelandic Investments</p>	<p><b>Review Risk - Contingency Plans</b></p> <p>Council are required to adopt a three year Balanced Budget Strategy. Supplementary estimate agreed at September Cabinet, use of New Street facility, close monitoring and management of housing advice service brought back in-hour from June 2018. Assumption of increase of 300 pa should hopefully be realised. Managed closely by Chief Executive and CLT/Cabinet</p> <p>Managed through Property Disposal Strategy</p> <p>Development opportunities continue to be explored.</p> <p>Reduced income allowed for within Base Budget reduces the scale of any challenge.</p> <p>ICT Strategy Group oversee/enhance the governance, planning and delivery arrangements of the strategy between ICT and council service areas.</p> <p>Shared Services partnerships continue to contribute to collaborative efficiencies but will be monitored to ensure risk is managed and mitigated.</p> <p>Continue to discourage non-essential expenditure, monthly budget monitoring reports provide more management information. Focus on income generation and innovative alternative service delivery models.</p> <p>External borrowing is £22m, rates remain low but the economy is still volatile and future rates difficult to predict; Link Asset Services continue to provide technical advice. Revisions to codes may restrict scope for capital portfolio fund investment</p> <p>Cash flow management will be tighter given reduction in capital and revenue reserves and use of the Link Cash flow model is being used to improve management information to help mitigate any risk in this area</p> <p>2016 revaluation contained within existing budgets but risk remains going forward for this significant expenditure area. 2019 Revaluation confirmed rather than a move to every 4 years</p> <p>Under £1m in outstanding and work will continue to achieve maximum recovery.</p>

<p><b>Quadrant 3 Continued</b></p> <p>15. MMI Claw Scheme</p> <p>16. Retention of Depot Site</p> <p>17. Information Governance</p> <p>18. Income Generation</p>	<p>Further claim received and settled, ear marked reserve held.</p> <p>Currently on schedule and on budget; this will be carefully managed Investment is required to provide a sustainable depot site now the decision has been taken to retain and invest in this key asset.</p> <p>Internal working group chaired by the Chief Executive is reviewing this area to ensure the Council continues to be safeguarded.</p> <p>Income Generation Group continues to work to protect/expand market share. External report commissioned from CommericalGov has informed marketing strategy and new Commercial Manager now recruited.</p>
<p><b>Quadrant 4 - High Risk, High Impact</b></p> <p>1. Government Grant –Funding Changes, further Spending Reviews and New Homes Bonus</p> <p>2. Business Rates Retention Scheme, appeals, Pooling and revision of funding arrangements. Baseline reset 2020</p> <p>3. Devolution debate and Combined Authorities</p> <p>4. Impact of Transformational Programme</p> <p>5. Local Council Tax Discount Scheme</p> <p>6. Council Tax Collection levels</p> <p>7. Business Rates Growth</p> <p>8. Capital Receipts - Realisation of to fund expenditure</p> <p>9. Environment and Economic Regeneration</p> <p>10. Changes to Housing Benefit Scheme – universal credit/localisation of support for Council Tax</p> <p>11. Wyre Forest Forward Efficiency savings</p>	<p><b>Immediate Action</b></p> <p>Significant issue given the scale of the Spending deficit. The Cabinet Financial Strategy Advisory Panel process will assist Wyre Forest Forward coordinating Councils future Plans.</p> <p>Application for pan-Worcestershire Pilot submitted for 2019-20. Proposed changes to funding arrangements and delays continue to cause uncertainty and risk. The Baseline reset could also result in a decrease in this key funding stream. Our regeneration programme is a mitigation factor.</p> <p>Monitored closely by CLT/Cabinet</p> <p>Managed by CLT/Cabinet with reports to Group Leaders.</p> <p>The impact of the revised Local Scheme will be kept under review by the Corporate Director: Resources Revised CTRS scheme proposed from April 2019 to align with Universal credit</p> <p>Assumptions in relation to decreased collection rates have been made in the Council Tax Base calculations as a result of the Local Council Tax Discount Scheme and these will be carefully managed and reported on.</p> <p>Given proposed funding reform independent business rates growth is of key importance to funding streams. Our regeneration policy, innovative service delivery options and Development Loans Fund and Capital Portfolio Fund all help mitigate risk.</p> <p>Capital Programme funding reflects realistic timescale for the realisation of asset disposal receipts. Temporary borrowing will be used when necessary.</p> <p>The Council continues to be proactive in this area and this is closely monitored by Cabinet/CLT</p> <p>Introduction of Universal Credit form November 2018 to be carefully managed and impact monitored</p> <p>Progress continues to be monitored and reported regularly to members.</p>

<p>12. Potential Local Government Reorganisation</p> <p>13. Realignment of area/political area</p> <p>14. Car parking income</p> <p>15. WCC overlapping budget proposals – adverse impact</p>	<p>Macroeconomic area strategically assessed and managed by the Leadership team.</p> <p>Kept under strategic review by the Leadership team in liaison with two LEPS. The three LEP footprint proposals are also within our radar. Income levels are down in the new MTFP; usages/Income level closely monitored, new simplified policy is now in place. Liaison with WCC to work to minimise/mitigate the impact of any overlapping proposals to protect the financial position of both parties as far as possible.</p>
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