

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

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

25TH MARCH 2019 (6PM)

Present:

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

AUD.30 Apologies for Absence

Apologies were received from Bodrul Zzaman – Independent Person.

AUD.31 Appointment of Substitutes

There were no appointments of substitutes.

AUD.32 Declarations of Interests by Members

No declarations of interest were made.

AUD.33 Minutes

Agreed: The minutes of the meeting held on 26th November 2018 be confirmed as a correct record of the meeting and signed by the Chairman.

The Chairman announced a revised running order for the agenda in that item 8 would be taken first followed by item 7, item 5 and then item 6. Items 9 onwards would remain unchanged.

AUD.34 Certification Report

The Engagement Manager (Grant Thornton) led Members through the Certification Report for the year ended 31st March 2018 highlighting the recommendations for Officer attention and the fees for the 2017/18 certification work.

Councillor Onslow asked for clarification of the error mentioned that recurred from 2016/17. The Engagement Manager (Grant Thornton) informed Members that this was in relation to Statutory Sick Pay and that improvements had been made from previous years but there was still more to do. The Corporate Director: Resources, reassured Members that this issue was being taken very seriously and advised them of the steps that had been taken to improve the situation. The Engagement Manager (Grant Thornton) said that the testing from the latest random samples showed improvement year on year which she hoped continued.

Agreed: The certification report was noted.

AUD.35 The Audit Plan for Wyre Forest District Council

The Committee received a report from Grant Thornton on the audit plan. The Engagement Lead (Grant Thornton) informed Members that the scope of the audit plan for Wyre Forest District Council (WFDC) was set in accordance with the Code and International Standards on Auditing and the two areas of responsibility were the Authority's financial statements and the value for money arrangements in place. He explained the option to target 4 risk areas for consideration in 2018/19: revenue recognition, management override of controls when moving money, the balance sheet when produced at the end of May and the net liability of the pension fund.

The Engagement Lead (Grant Thornton) detailed that they were working on 2% of the gross spend which was the top end of the range and reflected the historic strong point. When considering the value for money arrangements they looked at 3 criteria – informed decision making, how the money is spent and partnership work. He reassured Members that many other Councils were experiencing the same risks as this Council due to the uncertain financial landscape and similarly challenging issues across the local government sector. He discussed the proposed fee for 2018/19 compared to 2017/18.

The Chairman said how important it was to have good dialogue between the Auditors and Officers to allow identified issues to be raised quickly.

Agreed: The report was noted.

AUD.36 Audit Update

The Engagement Manager (Grant Thornton) led Members through the Audit Update highlighting aspects for consideration. She informed Members that there were two interim visits scheduled, one of which had taken place in February and the second would allow planning to be undertaken. She said it was important to note that, although the bulk of the work was still to come, there were no significant issues that needed bringing to the Committee's attention. Grant Thornton continue to have good level of dialogue with WFDC Officers and are working on the assumption that the budget set for 2019/20 will have regard to the recommendations from the recent peer review return visit.

The Chairman reiterated that it was important to have a good relationship between Officers and Grant Thornton. Councillor Onslow asked a question about the response to the CIPFA consultation paper on plans to introduce a Financial Resilience Index and also, how well the Council is prepared for Brexit. The Corporate Director: Resources informed her that a full response to the CIPFA consultation paper went to the Corporate Leadership Team (CLT) as well as Cabinet and that Members would be briefed when the outcome was decided. She said that WFDC were part of the Local Resilience Forum and they were having weekly contact to ensure we have advance warning of any issues that may arise that could impact on residents in Wyre Forest. The Chief Executive is also active in this area and is well informed of what plans are in place regarding Local Authorities and Brexit across the District Council Network.

Councillor Webster asked a question about the Financial Foresight Platform and the relevance to WFDC. Grant Thornton gave more information on this

new platform and the relevance to County Councils and District Councils. They were receptive to giving Members further insight into how it works if they felt that would be useful.

Agreed: The report was noted.

AUD.37

Informing the Audit Risk Assessment

The Committee received a report from Grant Thornton informing the Audit Plan Assessment. The Engagement Manager (Grant Thornton) led Members through the report explaining that Grant Thornton was required to ask Officers a standard set of questions of which were represented in the left hand column of the report and the answers supplied by the Officers were in the left hand column.

Councillor Webster asked about litigation or claims that would affect the financial statements in regards to Wyre Forest House. The Corporate Director: Resources provided Members with a high level overview on the current situation with the construction contractors of Wyre Forest House but could not give full details as the matter remains commercially sensitive.

Councillor Webster asked for further clarification about arrangements in place to report the going concern assessment to the Audit & Governance Committee which the Corporate Director: Resources and Grant Thornton provided reassurance that WFDC was considered a going concern but that more financial challenge was being put into place for those Authorities that were considered to be financially challenged.

Councillor Onslow asked about how the information provided by WFDC Officers was checked for accuracy. Grant Thornton replied that audit procedures would uncover any inconsistencies that would be raised with Officers. Members also have the opportunity to consider and challenge the responses given.

Councillor Onslow queried how identified related parties were audited and the Corporate Director: Resources informed Members of the current procedures particularly in relation to Member and Officer declarations.

Agreed: The report was noted.

AUD. 38

Internal Audit – Audit Plan 2019/20

The Committee received a report informing Members of the Internal Audit Plan 2019-20. The Audit Manager led Members through the report highlighting to them that that the report was the same format as previous years. She highlighted the restructure of the Internal Audit Team that had been approved by the Corporate Leadership Team and would be in place from 1st April 2019. This would result in a reduction of 55 pa available audit days but she was confident this would not be detrimental to current objectives. She confirmed that the risk assessments had been calculated in a slightly different way to previous years as the method had changed in line with recommendations arising following the external assessment of the Internal Audit Service in February 2018.

The Audit Manager explained why the Employee Establishment was now assessed as red in response to a question from Councillor Onslow and confirmed where the numbers of audit days were allocated.

Councillor Webster expressed concern about the reduction in audit days allocated to ICT audits in light of the risks faced from cyber crime. The Audit Manager explained how the allocated audit days would be used and other resources available in terms of external assurance from third parties working with the ICT Manager. The Corporate Director: Resources reassured Members that there was a very experienced IT team in place who had developed cyber resilience plans and that the situation was constantly under review and the Audit Committee would be updated on any significant changes. The Chairman agreed that this was a very important area and good communication was needed.

Councillor Webster asked for more details on how the risk assessment scores were reached, the Audit Manager provided a quick overview of the changes. The Chairman suggested this could be covered in more detail at a future training session.

Agreed: The Audit Committee:

Considered and approved the Internal Audit – Annual Audit Plan 2019-20, attached as Appendix 1 of the report.

Delegated 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 the report.

AUD.39 Internal Audit Monitoring Report Quarter Ended 31st December 2018

The Audit Manager led Members through the Internal Audit Monitoring Report for the Quarter ended 31st December 2018, drawing Members attention to the work in progress. She pointed out that due to the recent resignations of 2 members of the team the performance against plan was not quite at the 95% target but the team were working to make adjustments. Councillor Onslow asked if all of the field work had been completed as detailed. The Audit Manager informed her that it had either been completed within quarter three with dates of completion drawn before the end of the calendar year to feed back to the committee, with the formal outcome available at the next Audit meeting.

The Chairman asked why there was a spike in the External Assurance for 2018/19 for this quarter, compared to other years and was informed this was because there was an increase in individuals requiring certified life certificates to try and get affairs sorted before Brexit. External assurance is also provided as part of validation for services seeking external funding.

Agreed: The Audit Committee considered the Internal Audit Monitoring Report for the Quarter Ended 31st December 2018 as detailed in the Appendix to the report.

AUD.40 Annual Governance Statement

The Committee received a report from the S151 Officer asking the Committee to approve the progress against the Annual Governance Statement Action Plan 2017/18. The Corporate Director: Resources led Members through the report which presented the current position in relation to the action plan which was developed to address the issues identified within the 2017/18 Statement of Accounts. She told Members that this was a risky time for public services so this was an important document and it had been influenced by the peer review recommendations which focused on financial planning.

Councillor Onslow queried the meaning behind Cross Council officer income generation and the Corporate Director: Resources clarified that this meant all directorates within WFDC could propose ideas for income generation and did not mean working across other Local Authorities.

Councillor Webster asked if there was a risk arising from the all out May elections if the result led to a change in leadership and strategy. This could lead to Officer time being diverted to making changes. The Corporate Director: Resources felt that this may be more relevant to the risk register but acknowledged a change of Members could affect certain areas but any administration would face the same challenging funding issues and that Officers would present options to Members and explain timelines and would hope that any political party would work proactively with Officers.

Agreed: The Audit Committee approved the progress against the Annual Governance Statement Action Plan 2017/18 as attached at appendix 1 of the report.

AUD.41 Risk Management

The Committee received a report from the S151 Officer which informed them of the current Corporate Risk register and the Budget Risk Matrix. The Corporate Director: Resources led Members through the report informing them that the risk register had been developed and approved by the Corporate Leadership Team with the Corporate Director: Resources taking the lead with input from each Service Manager as appropriate. The risk register is updated monthly and the current position circulated to Members was correct as of the end of January 2019.

The Committee considered each page of the report with the Corporate Director: Resources explaining each risk identified in more detail. She explained that this was a time of uncertainty and although the Authority was unsure what the future would bring WFDC was a going concern with sufficient reserves in place to mitigate risk down to a reasonable level.

Councillor Webster asked what was considered long term. The Corporate Director: Resources informed Members that short term was 1-2 years, medium term was 3-5 years and beyond 5 years was considered longer term.

Councillor Webster asked for more detail on CORPRISK07 – not able to maintain a skilled and motivated workforce, and the specific strategy on

helping the issues raised such as the demographic of the workforce. The Corporate Director: Resources informed Members that looking forward to future business needs and retaining the right staff and succession planning were all being considered by CLT together with the Human Resources team. There are many positives of working for WFDC and that is being packaged when advertising vacancies. Councillor Webster asked about the Staff Survey that had recently taken place and was informed by the Corporate Director: Resources that the results were considered at the meeting of the WF20 group to identify if further training and support is required in any areas. A further discussion took place around staff appraisals and the results of the Staff Survey and if more details could be included in the next risk register.

The Corporate Director: Resources gave more details on localism and also explained that it was a critical time in the Local Plan timetable. She thanked Members for their comments and questions on the risk register. Councillor Webster expressed his thanks to the Officers and in particular the Audit Manager for the information they provide to the Committee.

Agreed: The Audit Committee CONSIDERED AND NOTED the Corporate Risk Register and the associated mitigating actions as at 31st January 2019 and the 2019-22 Budget Risk Matrix.

There being no further business the Chairman thanked Members, Officers and Grant Thornton for the work they had contributed to over the municipal year and hoped Members elected in May 2019 would understand the importance of the work of the Audit Committee. The meeting ended at 7:29pm.