

Open

Audit Committee

Agenda

6pm
Wednesday, 29th May 2019
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Councillor V Caulfield
Councillor N J Desmond
Councillor C Rogers
Councillor A Totty

Councillor B S Dawes
Councillor A L L'Huillier
Councillor S E N Rook
Councillor P W M Young

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 -Karen Walsh, Executive Support Officer - Members, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732708 or email karen.walsh@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Wednesday, 29th May 2019

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 25th March 2019.	5
5.	Internal Monitoring Report 31st March 2019 To receive a report from the Audit Manager informing Members of the Internal Audit Monitoring Report quarter ended 31st March 2019.	11
6.	Internal Audit Annual Assurance Report 2018-19 To receive a report from the Corporate Director: Resources informing members of the Internal Audit Annual Assurance Report for 2018/19.	29

7.	<p>Annual Governance Statement 2018-19</p> <p>To receive a report from the Corporate Director: Resources which asks for approval of the Annual Governance Statement and Annual Governance Action Plan 2018-19 for inclusion in the Statement of Accounts.</p>	39
8.	<p>Statement of Accounts 2018-19</p> <p>To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2018/19.</p> <p><i>Pre-Audit Statement of Accounts to follow.</i></p>	54
9.	<p>External Audit Fee Letter 2019-20</p> <p>To receive a Grant Thornton update from the Corporate Director: Resources in relation to the planned audit fee for 2019/20.</p>	61
10.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

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

AUDIT COMMITTEE

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

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.

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
29th MAY 2019

INTERNAL AUDIT MONITORING REPORT
QUARTER ENDED 31ST MARCH 2019

OPEN	
CABINET MEMBER	Leader of the Council
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31st March 2019

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st March 2019, attached as Appendix 1.

2. RECOMMENDATION

The Audit Committee is asked to CONSIDER:

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 31st March 2019 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 6 sections which are:

Section 1	Follow up reviews undertaken in the quarter; incorporating recommendations in progress
Section 2	Final Internal Audit Reports issued
Section 3	Draft Internal Audit Reports issued
Section 4	Work In Progress to include draft reports issued following completion of 2018~19 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken
Section 6	Summary of Final Reports issued in the period 1 st April ~ 31 st December 2018

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

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

- 3.10 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where Internal Audit is reviewing the area in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.
- 3.11 The Corporate Leadership Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potentially serious issue.

4. KEY ISSUES

- 4.1 Internal Audit make recommendations to management on potential improvements to the internal control environment of the system under review. It is management's responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.
- 4.2 The Quarterly monitoring report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been adopted to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. Following an external review of the Internal Audit Service in April 2018, 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 Internal Audit Team operate in accordance with recognised Internal Audit Standards¹. Procedures are monitored to ensure that the Internal Audit Team procedures remain compliant.
- 4.4 The Internal Audit Charter requires an annual opinion on the Council's internal control environment 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 section 5(1) require that:

¹ UK Public Sector Internal Audit Standards 2016

“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 risks, internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.

8.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.

8.3 The Internal Audit service is one element of the Council’s assurance/internal control framework.

8.4 A relevant member of the Internal Audit Team will continue to be involved in future Wyre Forest Forward reviews to oversee and advise on proposed system changes to ensure Key Controls are not compromised. This work will be resourced as part of the Consultancy and Advisory role detailed within the Internal Audit Plan.

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 31st March 2019 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

11. BACKGROUND PAPERS

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



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st MARCH 2019**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31st MARCH 2019

INDEX	PAGE
SECTION 1 Follow up Reviews undertaken in the Quarter	17
SECTION 2 Final Audit Reports issued in the Quarter	18
SECTION 3 Draft Audit Reports issued in the Quarter	23
SECTION 4 Work In Progress (Including Action Plans Issued) following the completion of the 18~19 Internal Audit Annual Plan	24
SECTION 5 Performance against Annual Plan for the Financial Year 2018/19 Including Consultancy & Advice for the Quarter & Comparison of Consultancy & Advice for Quarter 31 st March 2018 & 31 st March 2017 Supporting Information for Other Internal Audit work including the Wyre Forest Forward Programme and process designs.	25
SECTION 6 Summary of Final Internal Audit Reports issued in the period 1 st April to 31 st December 2018 (Key Systems)	28
<i>Cheryl Ellerton</i> AUDIT MANAGER	
<i>Tracey Southall</i> SECTION 151 OFFICER	

8th May 2019

SECTION 1

Quarter Report to the 31st March 2019

Summaries of Follow up Reviews undertaken in the Quarter

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

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

**Agenda Item No. 5
Appendix 1**

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2019		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems (Annual Assurance Reviews)		
2018~19 Accounts Receivable {Corporate Debtors} ~ Reconciliations	F	-
2018~19 Benefits ~ Housing Allowances & Overpayments {Compliance}	S	19
2018~19 Council Tax ~ Compliance {Change of Circumstances/Recovery}	F	-
2018~19 Council Tax ~ Reconciliation {Valuation Office & Income}	F	-
2018~19 Council Tax Local Discount Reduction Scheme {Compliance}	S	21
2018~19 NNDR ~ Compliance {Change of Circumstances/Recovery}	F	
2018~19 NNDR ~ Reconciliation {Valuation Office & Income}	F	-
2018~19 Payroll Reconciliations	F	
2018~19 Treasury Management	F	-

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

AUDIT REPORT TITLE: Housing Benefit Compliance Testing 2018-19 {Entitlement & Overpayments}	ACTION PLAN: 10 th September 2018 DRAFT REPORT DATE ISSUED: NA FINAL REPORT DATE ISSUED: 29 th April 2019 {Q4~31.03.19}	SERVICE: Directorate: Resources (Revenues & Benefits) RESPONSE RECEIVED DATE: N/A
BUDGET: £28,388,770 Est 2018~19 CORP RISK:FAILURE OF THE INTERNAL CONTROL ENVIRONMENT		

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

Overview:

This Audit forms part of the annual assurance reviews undertaken as part of the annual Internal Audit plan 2018-19. The review was carried out to ensure that there are adequate controls over a key financial system to support an effective control environment by ensuring that benefits payments for rent allowance claims are assessed appropriately and calculated accurately. Overpayment accounts were also reviewed to ensure that calculations were accurate and recorded in the Subsidy Report.

Housing Allowances

A sample of 15 accounts with housing benefit entitlement were selected and examined in detail to ensure there was proof of entitlement. This including proving identity, evidence of any income received by the claimant; adequate proof of capital and that any income from capital was correctly calculated; the level of disregards against income, non-dependant income and allowances and premiums had been assessed and applied correctly. Verification of the rent payable was also sought with detailed compliance testing completed to cover the period April – December 2018.

→ Following the first phase of testing, in respect of one claim it was found that an incorrect income figure had been taken into account for the benefit calculation. Following the reassessment of the claim an overpayment of housing benefit of £62.20 was identified and corrected.

Overpayments

A sample of 15 accounts with a housing benefit overpayment were selected and examined in detail to ensure the overpayment was appropriately assessed. The detailed testing included verifying the original benefit assessment and that the overpayment was correctly stated in the subsidy and overpayment reports produced by the Civica (Benefits) system. From the detailed compliance testing, overpayments had occurred due to claimant’s late notification of increases in income, claimants leaving the area and cessation of DWP benefits There were no matters arising requiring further action.

Conclusion

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

AUDIT REPORT TITLE: Council Tax Reduction {Local} Scheme Compliance Testing 2018~19 BUDGET: £6,749,318 Financial Control 23.02.18 CORP RISK: FAILURE OF THE INTERNAL CONTROL ENVIRONMENT	Action Plan/Progress Report: 11th September 2018 {Top Up 2017~18} & Phases 1 & 2 2018~19} DRAFT REPORT DATE ISSUED: N/A FINAL REPORT DATE ISSUED: 30th April 2019 {Q4 ~ 31.03.19}	SERVICE: Directorate: Resources {Revenues & Benefits} RESPONSE RECEIVED DATE: N/A
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview:

This audit forms part of the annual assurance reviews undertaken as part of the 2018-19 Internal Audit Plan. The review was undertaken to ensure that there are adequate controls over a key financial system to support an effective control environment by ensuring that the Council Tax Reduction scheme payable for council tax support under the local scheme is assessed appropriately and calculated accurately. Overpayments relating to the local reduction scheme on council tax accounts were also tested to ensure that calculations were accurate and recorded on the account accordingly. This risk based assurance review sought to capture changes to the system and procedures in place to ensure entitlement to and deductions made in relation to the local Council Tax Reduction Scheme in place for the financial year 2018~19 {approved by Council on 14th December 2016 to align the scheme with housing benefit, tax credits and universal credit}.

Award of Entitlement:

A sample of 20 accounts {including top up testing of 5 from 2017~18} with Council Tax Reduction Scheme (CTRS) entitlement was selected and examined in detail to ensure there is adequate proof of income and / or valid Department of Works and Pensions notification; adequate proof of capital and any income from capital is correctly calculated; that the level of disregards against income, non-dependant income and allowances and premiums have been assessed and applied correctly. There is a benefit application form and evidence of proof of identity. Checks were also made to ensure that the Civica Council Tax records were appropriately updated, that the property is not void and the claimants are the liable party for payment of Council Tax.

Overpayments

A sample of 20 accounts {including top up testing of 5 from 2017~18} with Council Tax Reduction Scheme “overpayments” was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original discount assessment and subsequent revised assessment was calculated accurately and the overpayment was correctly and accurately posted to the relevant council tax account.

Following the initial testing of 15 claims {entitlement awarded} and 15 claims {recovery of overpayment}, a progress report was issued to the Revenues, Benefits & Customer Services Manager to advise of the outcome of this testing.

→Of the 15 accounts validated for entitlement, the testing identified a discrepancy in the recording of the state retirement pension income which was not consistent with the evidence of entitlement. Following prompt reassessment of the claim a small overpayment was recovered through the council tax account.

→Of the 15 overpayments validated, clarification was sought in respect of two claims. In respect of one claim, income in respect of primary and secondary earnings had been recorded incorrectly. Following prompt action by the Principal Benefits Officer to rectify the errors, the claim was reassessed and the revised overpayment in respect of the primary earnings and the underpayment for the secondary earnings were recovered through the council tax account. For the second claim, an error had occurred in the recording of the child benefit, the account was promptly amended, however, it should be noted that the reassessment resulted in no-change to entitlement.

→There were no matters arising from the final phase of testing which included a further 5 claims with entitlement and 5 with a recovery of overpayment

Conclusion:

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

Quarter Report to the 31st March 2019

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2019		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT

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

Agenda Item No. 5
Appendix 1
SECTION 4

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

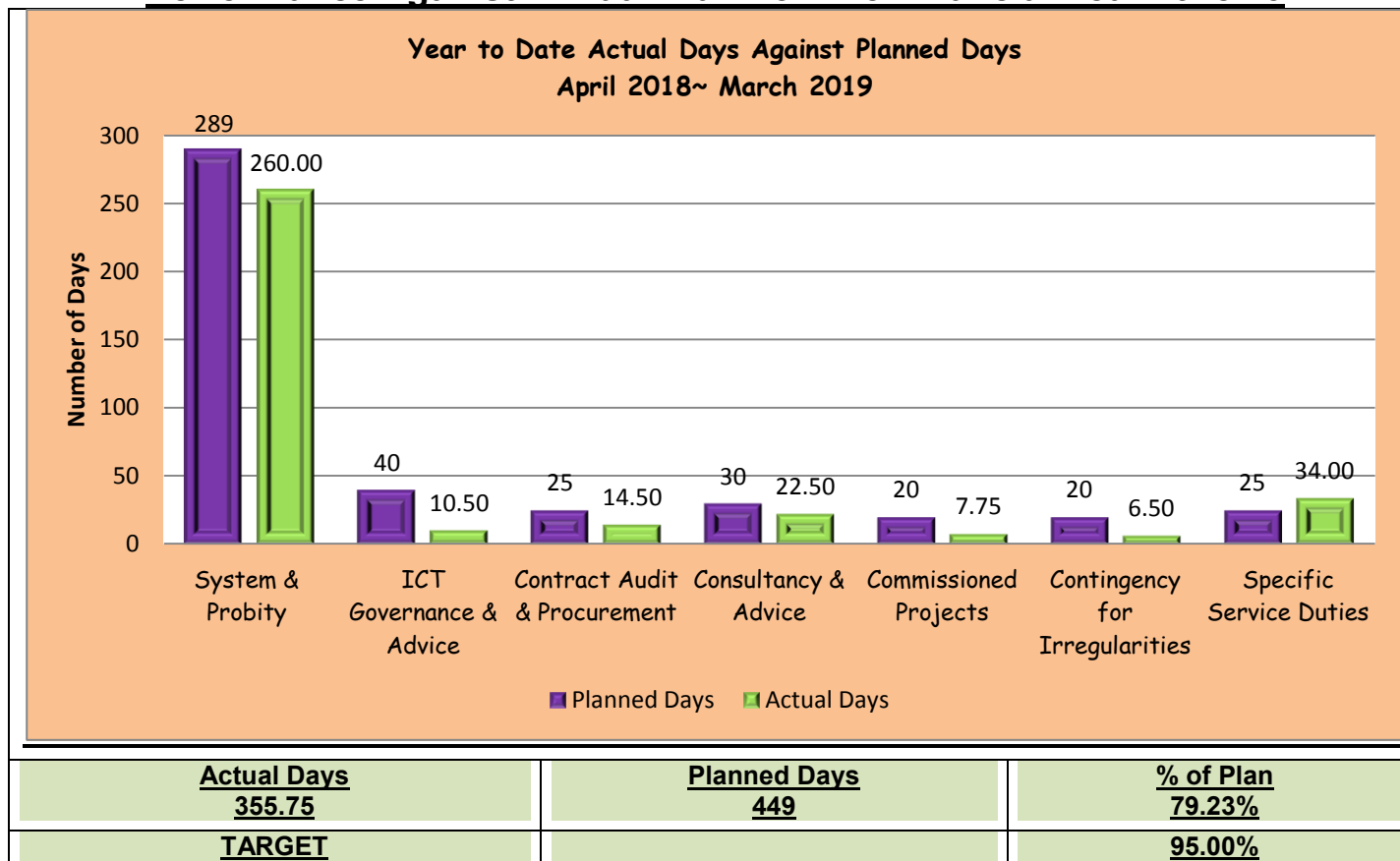
WORK IN PROGRES AS AT 31 ST MARCH 2018		Status	Action Plans/Progress Report			DATE OF COMPLETION OF FIELD WORK
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.19	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	
RA74	<u>Core Financial Systems (Annual Assurance Reviews)~</u> <u>2018~19 Annual Audit Plan</u> <u>Accounting Cash To Bank</u> Bank Reconciliation	Stage 6	27.06.18	10.08.18 {Journals}	-	06.11.18 {FR}
RA88	<u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u> Council Tax Reduction {Local Scheme} ~ Compliance	Stage 6	-	11.09.18	-	28.02.19/30.04.19 {FR}
	Housing Benefit {Allowances}	Stage 6	-	10.09.18	-	28.02.19/29.04.19 {FR}
RA82	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations <u>Council Tax</u> Ctax Reconciliations ~ {To include Gross Debit 2018/19}	Stage 4	-	-	-	INTERIM REPORT
	Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 6	28.06.18{FR}	N/A	N/A	N/A
	Ctax Compliance/Recovery	Stage 6	28.06.18	22.08.18	-	03.05.19 {FR}
RA80	<u>Creditors (Accounts Payable)</u> Creditors {Accounts Payable } ~ Compliance	Stage 6	-	30.07.18	-	29.01.19/17.04.19 {FR}
	Creditors {Accounts Payable} ~ Reconciliation	Stage 4	-	-	26.11.18 x 2	14.03.19
RA89	<u>Debtors (Accounts Receivable)</u> Debtors {Accounts Receivable} ~ Compliance	Stage 4	-	-	26.11.18	14.03.19
	Debtors {Accounts Receivable} ~Reconciliations	Stage 4	-	-	-	15.03.19
RA71	<u>Establishment {Rolling Review}</u> Establishment Reconciliation Inc Staff Record Forms	Stage 6	-	01.& 24.08.18	-	29.01.19/30.04.19 {FR}
RA84	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations ~ {To include Gross Debit 2018/19}	Stage 3	-	13.09.18	-	31.03.19
	NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 6	27.06.18{FR}	N/A	N/A	N/A
	NNDR ~ Compliance	Stage 6	-	07.08.18	-	08.02.19/23.04.19 {FR}
RA85	<u>Payroll (Including Mileage & Subsistence Claims)</u> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^ ^ Field Work includes Local Government Pension Scheme & Local Pay Award	Stage 6	-	24.09.18	-	29.01.19/24.04.19 {FR}
R103	Payroll ~ Reconciliations (WFDC Accountancy Team) <u>Treasury Management</u>	Stage 4	28.06.18	10.08 & 13.09.18	-	08.01.19/14.03.19
		Stage 6	-	-	-	31.01.19/16.04.19 {FR}
		Stage 6	-	-	-	29.01.19/15.04.19 {FR}

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 Under Review {Audit Manager}
- Stage 5 Draft Report Issued
- Stage 6 Final Report Issued {FR}

Audit Resource Statistics

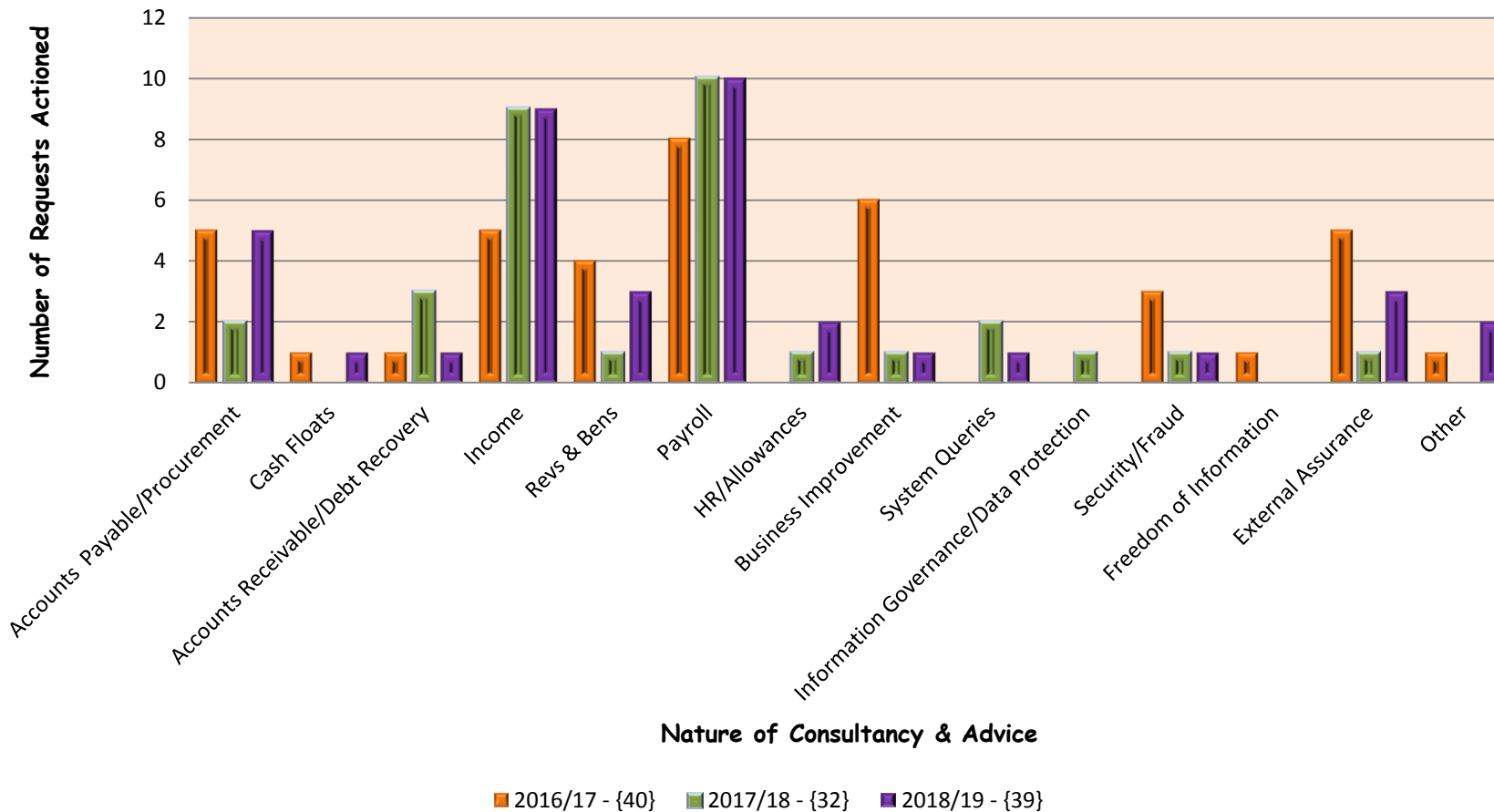
Performance Against Annual Plan For The Financial Year 2018/19



- For the full financial year of 2018/19, 79.23% of the audit plan has been achieved against the target of 95% in comparison to 93.71% for the 2017/18 financial year.
- The resignation of the Senior Auditor and Trainee Auditor in the latter part of 2018~19, resulted in a reduction in the available audit days of 47.5 days. As a consequence this is reflected in the performance against the agreed Internal Audit Plan for 2018~19. As the approved plan is only a Statement of Intent, 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 has been revisited with the revised structure in place from 1st April 2019, and has provided for a full time Auditor to support the Senior Auditor and Audit Manager. This will 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 in the above table, during this fourth and final quarter of 2018/19 the Internal Audit Team have responded to **39** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **32** requests received and actioned for the same period for 2017/18 and the 40 requests received and actioned for the same period in 2016/17.

**Comparison of Ad-Hoc Audit Consultancy & Advice
Quarter 4 Comparison (January to March) ~ 2016/17 ~ 2017/18 ~ 2018/19**



Additional Assurance Work Undertaken by Internal Audit

In addition to the planned work detailed above, the Internal Audit Team have also undertaken work in other areas for which a formal report is not issued, however time has been allocated within the 2018~19 Internal Audit Annual Plan approved by the Audit Committee in March 2018 as summarised below:-.

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Strategy Board Meetings.
- Assist the Data and Project Officer in his role as Data Protection {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 to maintain good governance and financial systems resilience.

Contracts & Procurement

- Monitoring of the contract payments for the development of the Depot site at Green Street.
- Review and sign off the retention for the additional car parking at the Leisure Centre.

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.

SECTION 6

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.
FINAL AUDIT REPORTS ISSUED IN THE PERIOD 1ST APRIL 2017 TO 31ST DECEMBER 2018 - KEY SYSTEMS	
QUARTER ENDED 30TH JUNE 2018	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2018/19 ~ Council Tax ~ Gross Debit {Parameter} Reconciliation	F
2018/19 ~ NNDR ~ Gross Debit {Parameter} Reconciliation	F
QUARTER ENDED 30TH SEPTEMBER 2018	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2018/19 ~ Accounting & Budgetary Control ~ Budget Setting	F
2018/19 ~ Income to Bank ~ Worcestershire HUB	F
2018/19 ~ Income to Bank ~ Town Hall	F
2018/19 ~ Income to Bank ~ Allpay & ATP Transactions	F
2018/19 ~ Income to Bank ~ Bewdley TIC/Museum	F
2017/18 & 2018/19 Establishment Validation {Interim Report} ~ Accountancy	F
QUARTER ENDED 31ST DECEMBER 2018	
CORE FINANCIAL SYSTEM REVIEWS {Key Annual Assurance Reviews}	
2018/19 ~ Income to Bank ~ Bank Reconciliation	F

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****29th MAY 2019****INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2018/19**

OPEN	
CABINET MEMBER	Leader of the Council
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 - Internal Audit Annual Assurance Report – 2018/19

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Annual Assurance Report for 2018/19.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee is asked to APPROVE the Internal Audit Annual Assurance report for 2018/19 attached as Appendix 1.**

3. BACKGROUND

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

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

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

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

- include an opinion on the overall adequacy and effectiveness of the Council's internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification

Agenda Item No. 6

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

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

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

4. KEY ISSUES

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

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

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

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

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

4.6 The aim of most audit reports is to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment. The levels of assurance arising from the internal audit reviews for 2018/19 together with those of the previous year are as follows:

		KEY SYSTEMS Assurance Level			SUBSIDIARY SYSTEMS Assurance Level			TOTAL
		Full	Some	Limited	Full	Some	Limited	
2018~19	Number	18	6	0	0	0	0	24
2017~18	Number	14	12	0	0	1	0	27

- 4.7 The results of this table give an overall perspective only, it should be noted that some audit reviews of both key and subsidiary systems can range from a very large and complicated system to a very straightforward one.
- 4.8 During 2018/19 Internal Audit have sought to further progress work with all service areas and to provide advice and assistance on the implementation of recommendations and actions. As a result, measures have been put into place to facilitate a more timely proactive approach to improving systems and it is fair to conclude that there has been continued improvement in control which is enhanced by the introduction of Action Plans/Progress Reports issued during the course of audit reviews. The aim of these Action Plans/Progress Reports is to enable Managers to react to observations with prompt remedial action which can be evidenced during the audit review and lead to an improved final audit assessment. This collaborative approach has enabled Managers to actively work with the Internal Audit Team to improve the control environment.
- 4.9 The annual report in Appendix 1 also covers a review of the effectiveness of Internal Audit required by the Accounts and Audit Regulations 2015. The UK Public Sector Internal Audit Standards provide for a consistent internal audit framework for the whole of the public sector.
- 4.10 The UK Public Sector Internal Audit Standards were formally adopted by the Audit Committee in December 2013. The standards were revised with effect from April 2016, with further amendments from April 2017 as reported to the Audit Committee. The standards promote further improvement in the professionalism, quality and effectiveness of Internal Audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide Management with the assurance they need. The Internal Audit Team work in consideration of the Standards which are mandatory for all internal auditors working in the public sector. In accordance with the standards, the Internal Audit Team work to a given methodology as evidenced within the Internal Audit Manual and Internal Audit Charter. In addition, the standards require an external assessment of the Internal Audit Service the outcome of which was formally reported to the Audit Committee on 30th May 2018.
- 4.11 The review of Internal Audit effectiveness is not about process. The focus of the review is in respect of the delivery of the Internal Audit Service to the required standard in order to provide for a reliable assurance on internal control in operation in the council's practices and procedures. In essence, the need for the review is to ensure that the opinion given in Appendix 1 may be relied upon as a key source of evidence for the annual review of internal control.

The review identified no areas of non-compliance with the standards that would affect the operation of the Council's internal audit function. The review did identify

Agenda Item No. 6

some recommendations to further develop the audit service along with some recommendations to progress towards full compliance with the standards. The review also identified some constructive suggestions for progression of the internal audit function in line with best practice.

- 4.12 The progress on implementation of the actions arising from the external assessment were formally reported to the Audit Committee at its meeting of 26th November 2018. A major requirement of the standards is to maintain a Quality Assurance Improvement Programme {QAIP}. This document sets out the quality assurance arrangement in place for the internal and external assessments of the Internal Audit Service, to ensure there are mechanisms in place to allow for continuous improvement, maintaining best practice and an effective level of performance from the Internal Audit Service. The QAIP was formally approved by the Audit Committee at its meeting of 26th November 2018.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

6. LEGAL AND POLICY IMPLICATIONS

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

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

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives,
- (b) ensures that the financial and operational management of the authority is effective, and
- (c) includes effective arrangements for the management of risk”

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

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

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

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

“Prepare an annual governance statement”

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

7. RISK MANAGEMENT

- 7.1 It is a statutory requirement that the Council undertakes an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. Further, it is a statutory requirement that the council shall at least once annually conduct a review of the effectiveness of its internal audit.
- 7.2 The Internal Audit service is one element of the Council's assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The adoption of the UK Public Sector Internal Audit Standards ensures the Council continues to comply with best practice and mitigates risk accordingly.
- 7.3 This report summarises the work undertaken by the Internal Audit Section for the 2018/19 financial year and is reviewed by the External Auditors as part of their financial audit and provide an opinion on the Internal Audit Service as a contribution to the Council's internal control environment. The annual report has been provided in accordance with the Internal Audit Section's approved Charter.
- 7.4 Corporate Risk Management forms part of the Council's processes as reported to this Committee on 26th November 2018 and 25th March 2019. This assists with the maintenance and development of the council's internal control environment.

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

9. CONCLUSIONS

- 9.1 The Annual Report - 2018/19 provides an opinion from the Audit Manager, endorsed by the Section 151 Officer, on the adequacy and effectiveness of the Council's internal control environment arising from the completion of Internal Audit reviews.
- 9.2 This opinion is based on the work undertaken by the Internal Audit Team in accordance with the approved 2018/19 Annual Audit Plan. This report is presented to members in accordance with the Internal Audit Charter as approved by the Audit Committee.
- 9.3 Overall, it has been concluded that the reasonable assurance can be given on the internal control environment which continued to improve during 2018/19.
- 9.4 A review of the effectiveness of internal audit for the financial year 2018/19 has been undertaken in accordance with current guidelines.

10. CONSULTEES

- 10.1 Corporate Leadership Team
10.2 Leader of the Council

11. BACKGROUND PAPERS

- 11.1 28th November 2018 ~ Audit Committee ~ QAIP
30th July 2018 ~ Audit Committee ~ Internal Audit Charter {Updated}
30th May 2018 ~ Audit Committee ~ External Assessment
19th March 2018 ~ Audit Committee ~ Internal Audit Annual Plan 2018~19
Accounts and Audit Regulations 2015 (SI 234)

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL ASSURANCE REPORT – 2018/19

Internal Control Environment

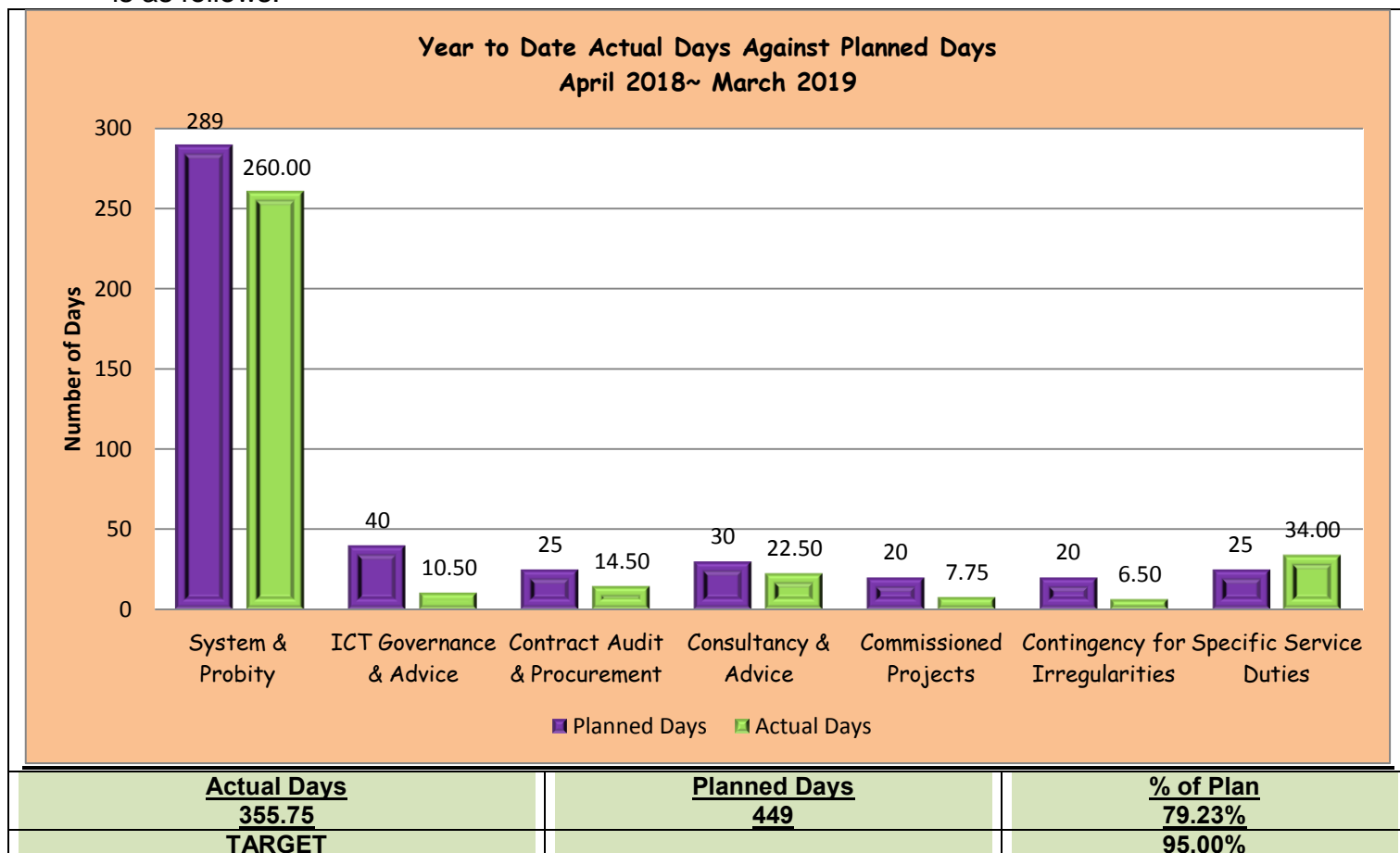
The Council’s Financial Procedure Rules (Financial Regulations) state that it is the responsibility of Service Managers to ensure that there are controls in place for every system under their management. These internal controls include those to prevent and detect fraud in accordance with the Council’s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

The work of the Internal Audit Section relating to the financial year ended 31st March 2019 has been undertaken in accordance with the approved Audit plan 2018/19. The work undertaken has met the requirements of the Council’s External Auditors and is in consideration of the UK Public Sector Internal Audit Standards.

The results of this work have been reported to the Audit Committee in quarterly reports on the 30th July and 26th November 2018, 25th March and 29th May 2019. These reports include a summary of the work undertaken in each quarter.

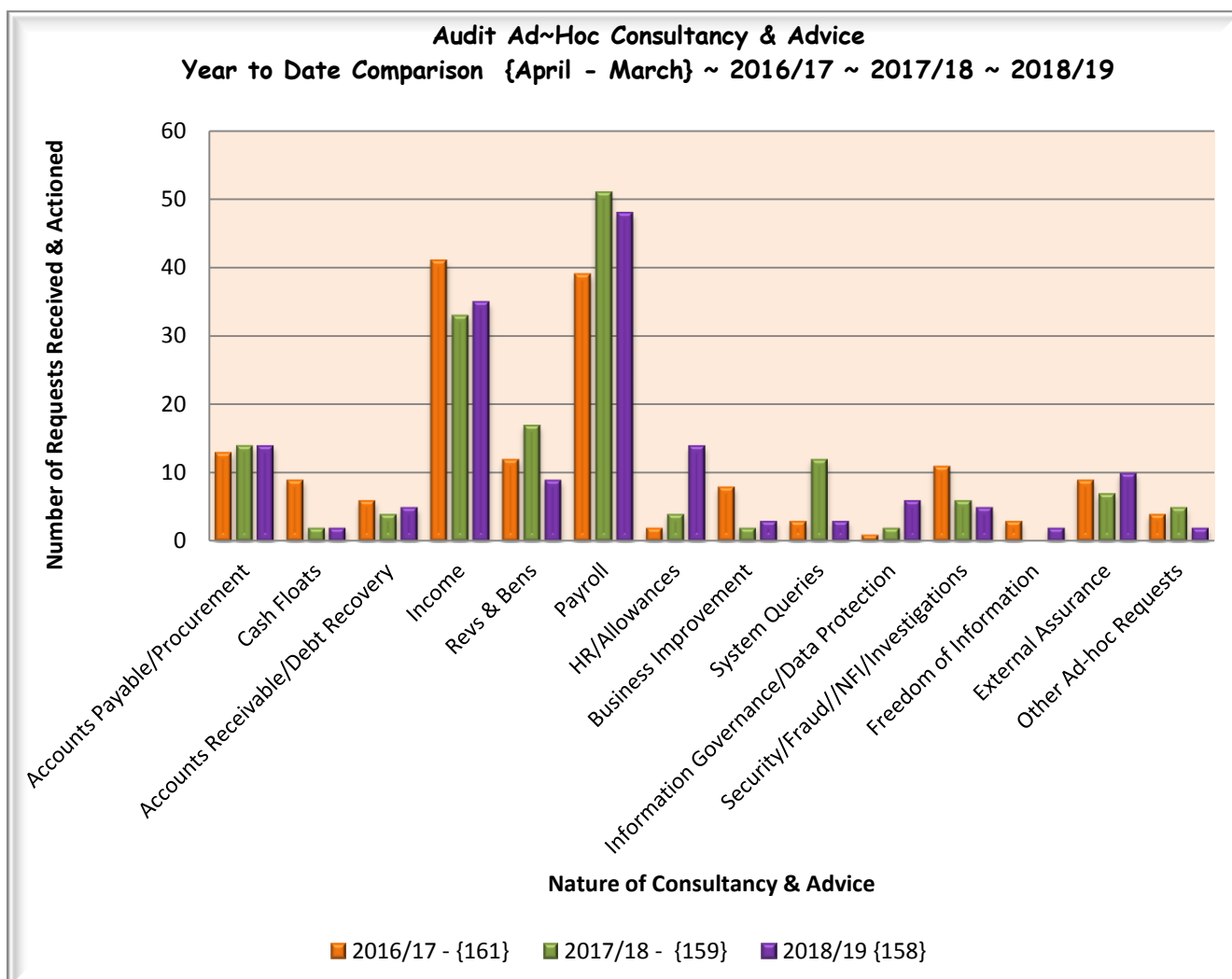
The internal control weaknesses identified from final and draft reports relating to the 2018/19 financial year have been considered in the preparation of this annual report. Where control weaknesses were identified, Management action plans are in place and are subject to ongoing review.

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



Agenda Item No. 6
Appendix 1

Consultancy, advice and irregularity work are demand led activities, and do fluctuate each year. Utilisation of Internal Audit advice throughout the year ensures that appropriate controls are incorporated at an early stage of planning new or changing current systems and processes. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During 2018/19, the Internal Audit Team have continued to provide a consultancy and advice service to colleagues as required.



Audit Opinion

From the work undertaken by internal audit for the 2018/19 financial year it is the opinion of the Audit Manager, that the Council’s internal control environment and systems of internal control as at 31st March 2019 provide reasonable assurance over key business processes and financial systems to include governance and risk management arrangements,

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

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

- The Council adopted the current CIPFA/SOLACE Corporate Governance Framework. Subsequently the implementation has been subject to reviews as considered by the Audit Committee following the recognition of the Framework as

“proper practices” status by the Department for Communities and Local Government. The review of the framework is further supported with additional reports to the Audit Committee following self-assessments against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and Role of the Head of Internal Audit in Public Sector Organisations (2011).

- The findings and recommendations of the External Auditors reported to the Audit Committee.

Statement of Organisational Independence

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

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

Review of the effectiveness of the system of internal audit

Work has been undertaken in accordance with the approved Internal Audit plan for 2018/19 and 79.23% of this plan has been completed by April 2019. Internal Audit reports have been reported to members of the Council’s Corporate Leadership Team and the Audit Committee. The resignation of the Senior Auditor and Trainee Auditor in the latter part of 2018~19, resulted in a reduction in the available audit days of 47.5 days and as a consequence this is reflected in the performance against the agreed Internal Audit Plan for 2018~19.

The approved Audit Plan is a statement of intent and has been subject to monitoring throughout the year, the reduction in available audit days has not been detrimental to the delivery of the internal audit service for 2018~19. Those audits considered to be of highest priority for example relating to Key Financial Systems have been completed and reported upon. In consultation with the Corporate Director: Resources, the structure of the Internal Audit Team has been revisited with the revised structure in place from 1st April 2019.

The work of the Internal Audit section is undertaken in accordance with recognised practices and standards and procedures are continually reviewed and refined in order to ensure compliance. This was evidenced with a report to the Audit Committee on 30th May 2018 detailing the outcomes of the mandatory External Assessment of the Internal Audit Service against the UK Public Sector Internal Audit Standards and the formal approval of the Quality Assurance Improvement Programme 26th November 2018, to include the progress on the implementation of the actions arising from the External Assessment.

The External Auditors sight the reports of the Internal Audit Team as part of their interim and final audits to evidence that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that the Internal Audit work contributes to an effective internal control environment for the Council.

As in previous years, the Internal Audit Team continued to work well with their customers, being approachable and able to support employees. As an indication of the quality of service delivery, Service Managers are requested to provide feedback on audit reviews by

the completion of a satisfaction questionnaire. During 2018~19 and following on from an action arising from the External Assessment, the end of audit questionnaire was revisited to provide for service managers the opportunity to comment on the professionalism of the internal audit service. Of the ten questionnaires issued for completed assurance reviews, eight were returned, and evidenced satisfaction with the service provided by the Internal Audit Team.

Corporate Issues

During 2018~19, corporate issues have continued to feature with support provided by the Internal Audit Team. 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, to provide for continuous improvement and supporting the income generation initiatives.

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.

Commissioned Consultancy Engagements

Consultancy engagements are more formal requests to the Audit Manager for Internal Audit to look at an area or provide more detailed advice. This work is classified as commissioned work undertaken with the approval of the Audit Manager to ensure that in consideration of the UK Public Sector Internal Audit Standards add value to current process and procedure changes and improve governance.

For 2018~19 consultancy engagements were completed by the Internal Audit Team in respect of:

- Assessing the system and procedures in place for the payments by corporate procurement cards for homeless accommodation arranged by the Housing Team, following the transfer back in-house of the service from the Community Housing Group.
- Assessing the system and procedures in places for the processing of applications and booking payments at the Kidderminster Town Hall.

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

Information Communications Technology (ICT) Governance, Advice & Assistance

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

Contracts & Procurement

- Monitoring of the Load Street Car Park refurbishment Bewdley
- Monitoring of the contract payments for the development of the Depot site at Green Street.
- Review and sign off the retention for the additional car parking at the Leisure Centre.

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

Cheryl Ellerton
Audit Manager

Tracey Southall
Section 151 Officer

16th May 2018

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
WEDNESDAY 29th MAY 2019**ANNUAL GOVERNANCE STATEMENT**

CABINET MEMBER	The Leader of the Council
DIRECTOR	Corporate Director: Resources Ext 2100 tracey.southall@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Annual Governance Statement 2018/19

1. PURPOSE OF REPORT

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

2. RECOMMENDATION**2.1 The Audit Committee is asked to approve:**

The Annual Governance Statement attached at Appendix 1.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 The Audit Committee approved the adoption of the CIPFA/SOLACE code at the meeting on the 17 March 2008 and the subsequent annual reviews on the implementation, the latest one being 25th March 2019.
- 3.4 For the 2018/19 Annual Governance Statement it is proposed to use existing processes in relation to the review of the control system, collation of information and compilation and monitoring of the Annual Governance Statement.

4. KEY ISSUES

- 4.1 In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:
- Internal Audit reports, following the annual assurance report from the Audit Manager, endorsed by the S151 Officer,
 - External Audit reports;
 - Assurance Statements completed by senior staff;
 - Corporate Risk Register;
 - External Inspection findings including;
 - Other relevant information.
- 4.3 The Annual Governance Statement is presented to the Audit Committee for approval, prior to the signing by the Chief Executive and the Leader of the Council.
- 4.4 The draft Annual Governance Statement for 2018/19 is shown at Appendix 1; this document has been prepared in line with the CIPFA/SOLACE guidance.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications relating to this report.

6. LEGAL & POLICY IMPLICATIONS

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

7. RISK MANAGEMENT

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

8. CONCLUSION

- 8.1 The Council is required to complete an Annual Governance Statement which is required to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement
 - Consider the robustness of the Authority's governance arrangements
 - Monitor any actions arising from the review of arrangements.
- 8.2 The statement is submitted to the Audit Committee for approval on 29th May 2019.

9. CONSULTEES

- 9.1 Corporate Leadership Team
- 9.2 Leader of the Council

10. BACKGROUND PAPERS

- 10.1 Accounts and Audit Regulations 2015 (SI No.234)
- 10.2 Delivering Good Governance in Local Government CIPFA/SOLACE.
- 10.3 UK Public Sector Internal Audit Standards April 2013 {Updated 2016}
- 10.4 Audit Committee Reports 25th March 2019

ANNUAL GOVERNANCE STATEMENT 2018-19

Why we have prepared this Annual Governance Statement (AGS) 2018-19?

To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once a year in each financial year.

- To demonstrate whether, and to what extent, the council has sound system of governance and has complied with its local requirements in 2018-19
- To demonstrate our achievements and help us to be more effective and take action to improve

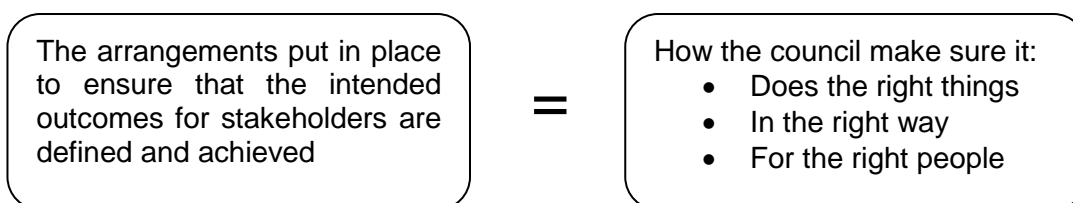
What is the annual governance statement?

Legislation requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Wyre Forest District Council's governance framework for 2018-19 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas over the coming year.

What do we mean by governance?

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

This is summarised visually below:



What is the Scope of our responsibility?

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

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


Wyre Forest District Council has adopted the code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework; *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.wyreforestdc.gov.uk or can be obtained from Wyre Forest Customer Services Centre, Town Hall, Kidderminster DY10 1DB. This statement explains how Wyre Forest District Council has complied with the code and also meets

the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

What is the definition of the governance framework?

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

The key elements of the Council’s systems and processes that comprise the authority’s governance arrangements are included in the Council’s Constitution which is reviewed and updated throughout the year. The following diagram is reproduced from “Delivering Good Governance in Local Government Framework 2014” published by CIPFA/IFAC and shows core principles and how they are delivered within the robust framework at Wyre Forest.

GOVERNANCE PRINCIPLES		INTERNAL CONTROLS
<ul style="list-style-type: none"> ➤ Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area ➤ Members and officers working together to achieve a common purpose with clearly defined functions and roles ➤ Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour ➤ Taking informed and transparent decisions which are subject to effective scrutiny and managing risk ➤ Developing the capacity and capability of members and officers to be effective ➤ Engage with local people and other stakeholders to ensure robust public accountability 	<div style="text-align: center;">  <p>The governance framework has been in place at Wyre Forest District Council for the year ended 31st March 2019 and up to the date of approval of the statement of accounts.</p> </div>	<p>INTERNAL CONTROLS</p> <p>Leadership, Culture and Planning Organisational goals and priorities Strategic and operational plans Performance management Medium term financial strategy</p> <p>Statutory Officers & Decision Making The Constitution The Monitoring Officer Section 151 Officer</p> <p>Policies & Procedures Codes of conduct Ways of working Anti-fraud, Bribery and Corruption Policy Whistleblowing Policy HR Policies and procedures Corporate Communications and Engagement Programme</p> <p>People, Knowledge, Finance, Assets Robust HR practices Robust Internal Audit function Information governance Performance monitoring and improvement Financial management and reporting Ethical & legal practices</p> <p>Scrutiny and Transparency Freedom of Information requests Complaints procedure Reports considered by legal and finance Overview and Scrutiny Committee Equality impact assessments Corporate risk register Transparency duty publication</p> <p>Partnership Working/Stakeholder Engagement 'Love to get involved' 'Let us know' Consultations Community Localism fund</p>

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

How does the Council deliver these outcomes?

The Council delivers these outcomes through:

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

How is effectiveness reviewed?

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

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

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the External Auditors and other review agencies and inspectorates;
- Audit Committee review of current arrangements against best practice, including consideration of progress against issues identified in the Annual Governance Statement, see agenda item 11 of the Audit Committee Agenda 25^h March 2019 on our website at http://www.wyreforest.gov.uk/council/docs/doc54334_20190325_audit_agenda.pdf

Regular reviews are carried out by the Corporate Leadership Team, including during March and again in April 2019. These reviews take into account:

- the Internal Audit Annual Assurance report from the Audit Manager for 2018-19, in consultation with the S151 Officer;
- comments of other review agencies, inspectorates and external bodies, including LGA Peer Review;
- the Audit Findings report of the External Auditor's was reported to the Audit Committee on 30th July 2018 and the Annual Audit Letter including key messages on the 26th November 2018.

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

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

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

The constitution is under constant review, to ensure that it remains fit for purpose; May 2018 Council approved a number of updates, one being an amendment to the membership of the Audit Committee to include an Independent Person as a pilot for 2018-19. A suitable candidate was recruited and attended the November 2018 meeting. May 2019 Council approved further minor amendments including the creation of a Strategic Review Panel for 2019-20. The Panel will perform an advisory role on a range of issues including policy development on the new Corporate Plan. It will also consider the Cabinet's proposals for the Medium Term Financial Strategy for 2020-2023 and budget options, to inform the Cabinet's proposed strategy and budget and for the meeting in February 2020 in respect of any alternative budget proposals. These regular updates ensure it remains up to date for the Accounts and Audit Regulations 2015 and reflects the drive for channel shift, increased impetus for income generation, commerciality and increasing range of alternative service delivery models to meet the ongoing challenges of Local Government Finance reform.

The Audit Committee is the Member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters. The Audit Committee also regularly considers the recommendations from Internal Audit. Progress against the External Auditor's key messages included in the Annual Audit Letter as reported to the Audit Committee on 26th November 2018 was considered at its meeting on the 25th March 2019 as part of the Annual Governance Statement and Corporate Risk Register Reviews. It is hoped that the extended membership of the Audit Committee to include an Independent Person as a non-voting member for a 12 month trial will provide an injection of an external view and bring a new perspective and flavour to the Committee.

The Council's Corporate Director: Resources as Chief Financial Officer has overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all of the Council's systems and produce reports containing recommendations for improvement wherever necessary, in line with the 2018-19 Annual Audit Plan.

The Council's Internal Audit team works with consideration to the UK Public Sector Internal Audit Standards. The service has also adopted an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards that was updated at the July 2018 Audit Committee meeting. A number of other internal and external reports considered the challenges around governance, including the CIPFA delivering good governance in Local Government framework 2016 reports to ensure all appropriate controls and updates are in place across the Council discussed at the March 2017 meeting. Audit Committee on the 30th May 2018 received a report on the external assessment of the Internal Audit Service undertaken by Tilia Solutions. The review was positive overall, with no areas of non-compliance with the Standards found that would affect the operation of the Internal Audit function. A number of recommendations/action points were made and worked on during 2018-19 by the Audit Manager to revise the approach taken to audit planning to sharpen focus on corporate priorities and risk to increase compliance with the Standards. Audit Committee on the 28th November 2018 received a report on Quality Assurance Improvement Programme and the Internal Audit Plan 2019-20 approved at the March 2019 meeting also took into account the external review recommendations. An update on counter fraud arrangements for 2018-19 was also received at the July 2018 meeting

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

External audit reports are reviewed and considered by the Audit Committee and the Council's Corporate Leadership Team. The Council's External Auditors, Grant Thornton take a proactive approach to Member involvement and actively engage Members at Audit Committee with their Update Reports being of particular interest. In addition to this, the Council is also subject to formal review by government inspectorates and was the subject of a LGA Peer Review in March 2017 that considered financial planning and viability in detail. Feedback from this independent process was positive and the constructive key recommendations to the Council informed the 2016-17 and 2017-18 Annual Governance Statements with ongoing issues identified also included in the 2018-19 Action Plan. The follow-up Peer Review visit took place in February 2019 and once again, feedback was very positive overall with relevant action learning points reflected in this 2018-19 Annual Governance Statement.

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

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

Significant Governance Issues for 2018-19

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 2017-18 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to continue to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	<p>General – Significant Financial Challenges</p> <p>-Continue to maintain financial resilience by securing approval of a Medium Term Financial Strategy with a fully balanced budget, taking into account the challenges of the proposed Funding Reform, noting the impact of the progression of “Brexit” and global economy volatility.</p> <p>-Potential shortfall on the delivery of savings to meet the circa £2m Funding Gap by 2021-22.</p> <p>-Managing emerging budget pressures</p>	<p>AGS 2017-18 as highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review</p>	<p>a) To continue to actively participate in and understand/model the impact of the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform.</p> <p>b) Ongoing work around income generation, commercialisation and expenditure reductions. Further develop and evolve the Financial Strategy to include: -potential for large scale service redesign, alternative delivery and service providers, digitalisation and demand management.</p> <p>- 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 2019-20.</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 early part of 2019-20 with formal Council approval at September 2019 Council. This will ensure continued realignment to the Financial Strategy and future operating model so there is cohesive and compelling narrative about what the Council is striving to achieve and how it will deliver its priorities, including the ways by which it will remain financially viable, and the further organisational transformation required.</p>	<p>a)/b) Balanced Medium Term Financial Strategy (MTFS) for 2020-23 with developed proposals for significant savings/cost reductions to close the increased funding gap from 2019-20.</p> <p>b)Early work to agree detail of WFF Programme to close the funding gap</p> <p>c) Corporate Plan post 2020.</p>	<p>Corporate Director: Resources, Chief Executive and whole Corporate Leadership team</p>	<p>April 2019 to February 2020, early work on specific plans to close Funding Gap after All-out elections in May 2019</p> <p>c) May 2019 Council for process final approval of refreshed Corporate Plan – September 2019 Council</p>

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
2	<p>Governance of Commercialism Issues</p> <p>The ongoing drive for a more commercial council brings new Governance challenges.</p> <p>Decisions taken using increased delegations need to be transparent following revised governance processes with the opportunity for regular review</p>	AGS 2017-18. Highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	<p>a) To work in accordance with adopted Commercial Strategy for 2018-23 using the delegation afforded to the Commercial Activity Programme Board (CAPB) to consider business case proposals for new commercial activity and allocate resources from the generic Capital and Revenue funding pots</p> <p>b) Embed the focus on commercial activity into not only reports to the CAPB but also to formal Cabinet Budget Monitoring Reports.</p>	<p>a) Increased Commercial Activity where appropriate and robust corporate value for money and due diligence procedures are satisfied</p> <p>b) Income targets included in MTFS are exceeded</p>	<p>a) Corporate Director of Community Well-Being and Environment supported by the Leadership team</p> <p>b) Corporate Director of Resources/ Financial Services Manager</p>	<p>a) Regular CAPB meetings</p> <p>b) Quarterly Progress check</p>
3	<p>Governance of Property and Loan Portfolios</p> <p>To further progress the implementation of the policies for the Development Loans Fund of £10m and Capital Portfolio Fund of £25m. To clarify with the wider public that the intended impact of these £35million policies is to support the Financial Strategy and the Corporate Plan priority to deliver a successful local economy rather than commercial investment.</p>	AGS 2017-18 MTFS 2019-22, endorsed by Peer Review	<p>a) Continue to implement revised Capital Portfolio Fund Strategy as approved at February 2019 Council by making proposals for suitable investment opportunities and secure approval and implementation/acquisitions.</p> <p>b) Now arrangements for external Fund Management of Development Loans Fund policy by Finance Birmingham are in place to progress this by sourcing suitable loan applicants and making loans.</p> <p>c) To work with the communications team to reinforce intended impact.</p>	<p>a) Implementation of approved proposals/acquisition of portfolio assets that secure net income streams as revised in approved budget</p> <p>b) Loans approved where appropriate and robust corporate value for money and due diligence procedures are satisfied</p> <p>c) Less negative social media comment</p>	<p>CLT - Corporate Director of Economic Prosperity and Place, Corporate Director: Resources, Solicitor to the Council</p>	<p>a) Further acquisitions secured by end March 2020</p> <p>b) By end 2020</p> <p>c) By end of 2019-20</p>

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

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

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	<p>Partnership and Engagement Governance issues</p> <p>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 22nd March 2017 and the approved Group structure for a Local Authority Trading Company (LATC), localism, joint operations and potentially devolution and combined authorities</p>	Annual Governance Statement 2017-18	<p>a) Ensure new partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust</p> <p>b) Ensure arrangements for traded services and arms-length organisations are fit for purpose</p> <p>c) Progress work with PSP Wyre Forest LLP by allocating sites/projects within the district for this new partnership arrangement to explore</p> <p>d) Further investigation of various structures for different arrangements, including utilisation and or expansion of the Group Structure of the approved LATC</p>	<p>a)/b)Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet</p> <p>c)That work with PSP Wyre Forest LLP commences and delivers some tangible outcomes</p> <p>d) Reports prepared for proposals for alternative service delivery models</p>	CLT – Corporate Director of Economic Prosperity and Place author of Property LATC report, designated officers for PSP	<p>a)/b)Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2018-19</p> <p>c)PSP utilised by end of 2018-19</p> <p>d) LATC Group Structure utilised as appropriate</p>

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6	<p>ICT Resilience Governance Issues Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats; Progression of ICT Strategy Capital Allocation of £1.757m; GDPR –compliance</p>	<p>Corporate Risk Register and ICT Strategy Board; ICT Security {Sub-Group}</p> <p>MTFS 2019-2022</p> <p>GDPR Legislation - effective date 25th May 2018</p>	<p>a)Quarterly review of network security and cyber resilience</p> <p>b)ICT Strategy Board approvals</p> <p>c)Review of compliance by Information Governance Board</p>	<p>a)PSN compliance, secure network;</p> <p>b)Timetable proceeds to timetable</p> <p>c)Review evidenced compliance</p>	<p>ICT Manager/ Corporate Director: Resources</p> <p>Data Controller</p>	<p>Ongoing reports to ICT Strategy Board, Information Governance Board, Cabinet Members and Group Leaders</p>
7	<p>Communication of Vision-Corporate Plan Wider communication of priorities and purposes and also further development of the approach to consultation, engagement and involvement of communities and stakeholders</p>	<p>LGA Peer Review Annual Governance Statement 2017-18</p>	<p>a) Results of Focus Groups to discuss Council and values, priorities and purposes to be discussed with CLT and incorporated in the new Corporate Plan.</p> <p>b)To trial the use of the new consultation template and prepare a marketing plan of actions.</p> <p>c) Continue to keep staff aware of Wyre Forest Forward Programme including updated information on the intranet and Website</p>	<p>a)Survey results included in new Corporate Plan.</p> <p>b)Improved consultation responses</p> <p>c)Increased levels of awareness and engagement with workforce</p>	<p>Chief Executive/CLT Cultural Services Manager/Media Team to prepare proposals</p> <p>CLT Cultural Services Manager/Media Team</p>	<p>By February 2019</p> <p>Ongoing</p>

ANNUAL GOVERNANCE STATEMENT 2018-19 (continued)

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

Ian R Miller
Chief Executive

Graham Ballinger
Leader of the Council

29th May 2019

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE REPORT****29th May 2019****STATEMENT OF ACCOUNTS 2018/19**

OPEN ITEM	
CABINET MEMBER:	Leader of the Council
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext. 2100 tracey.southall@wyreforestdc.gov.uk Helen Ogram Ext 2907 Helen.ogram@wyreforestdc.gov.uk Lisa Hutchinson Ext 2120 Lisa.hutchinson@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Explanation of Major Variations on Revised 2018/19 Budget

1. PURPOSE OF REPORT

- 1.1 To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2018/19.

2. RECOMMENDATION

The Audit Committee is asked to:-

- 2.1 **ENDORSE** the pre-audit Statement of Accounts approved by the Corporate Director: Resources.
- 2.2 **AUTHORISE** the Corporate Director: Resources to make minor changes to the copy of the Statement of Accounts endorsed in 2.1 above, prior to the statutory pre-audit deadline of the 31st May, should this be necessary.

BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015 have been incorporated into the Council's Financial Regulations. These regulations require that the Council's Statement of Accounts be produced and approved by the Chief Financial Officer on or before 31st May, 2019. For this Council the Corporate Director: Resources is the Chief Financial Officer.
- 3.2 Regulations require the same accelerated closedown table for the 2018/19 accounts as for 2017/18, with the draft accounts being prepared by the end of May and the final audited accounts by the end of July. The Finance team worked well in liaison with Grant Thornton last year to bring forward the completion of closedown processes

successfully and this provided learning points for this year when the earlier closedown is now embedded into the statutory requirement.

- 3.3 A Strong Leader Cabinet report to consider the provisional outturn position in relation to the Final Accounts for 2018/19 will be issued in late May 2019. Cabinet will be asked to note additional funding for the following significant earmarked reserves from the surplus in 2018/19. The first was for the top-up of the Innovation Fund £95k, the second was for a top-up of the General Risk Reserve £116k taking the unspent and unallocated balance to £500k. Two additional reserves were also created out of the repayment of this Council's share of the former Worcestershire Business Rates Pool risk reserve now that the Worcestershire Pan- Pilot has commenced. This Council's share of the Risk Reserve redistribution was £533k plus a small positive Business Rates Income variance of £17k for the year, providing £550k additional Business Rates income for 2018/19 overall. Of this sum, £295k was used to replenish the Business Rates/Equalisation/Regeneration Risk Reserve to £1m (unallocated), the remaining £255k was used as a further top-up of the Innovation Fund to support the impending potential costs of the Transformation work to start closing the £2.1m Funding gap.
- 3.4 The Statement is then subject to audit. The Council's external auditor, Grant Thornton, has until 31st July 2019 to complete the audit; this is the second year of the earlier statutory timeline for completion of the accounts. The accounts will be formally published on the 31st July.
- 3.5 Should it be necessary for Grant Thornton to agree technical changes with the Corporate Director: Resources while the accounts are subject to audit, these will be made under delegated powers. All Members of the Council will be provided with an electronic copy of the Statement.
- 3.6 The Council's Accounts will be made available for public inspection as required by the Accounts and Audit Regulations 2015, for a period of 30 days between 3rd June 2019 and 12th July 2019. The revised legal requirements no longer include an appointed day when external auditors must be available for questions or queries. If any local government elector for the area has any questions on the Accounts for the external auditor an appointment should be made in advance, in writing.
- 3.7 The provisional revenue outturn position has identified savings of £100,330. This includes the planned increase to the Working Balance from £1m to £1.2m and also the planned increase to the uncommitted element Business Rates Risk Reserve from £705k to £1m, as set out in paragraph 3.3, along with £255k to the Innovation Fund. This is subject to audit and is after the creation of the earmarked reserves; firstly for the further top-up of the Innovation Fund £95k, the second for a top-up of the General Risk Reserve of £116k taking the unspent and unallocated balance to £500k. Appendix 1 summarises major variations from the Revised Budget for Members' information.

4. KEY ISSUES

- 4.1 The most significant issue facing the Council remains its financial position. The updated medium term financial strategy, approved by February Council, provides a balanced approach for the next three years. There was a planned use of reserves in 2018/19 of £264,210 taking into account a planned increase in the Working Balance

of £200k and the forecast impact of changes to the Funding regime mean that by 2020/21 transfers from reserves are required of around £800,000. The overall funding gap increases to around £2.1m from 2021/22 and further work on the Wyre Forest Forward Savings Strategy will be actively progressed to close this gap and ensure the future financial sustainability of the Council. More certainty around the scale of future financial savings will be known following the release of further detail on the Funding Reform.

4.2 Business Rates – Provisional Outturn for 2018/19

- 4.2.1 This has been the sixth year of the Business Rates Retention Scheme and the final year of operation of the smaller Worcestershire Business Rates Pool without Malvern Hills District Council. Draft results for this year show the outturn for 2018/19 to be in line with the optimistic forecast growth assumed in the approved budget. The Pool overall should retain total levy of £2.493m of which 50 percent (after deduction of the £10k Worcestershire County Council administration fee) was initially transferred to a risk reserve with the remainder distributed to Pool members. The Council has exceeded our revised budget estimate of £3.282m including our estimated share of retained growth of £547k over baseline. This has facilitated an additional £17k top-up towards the Business Rates Equalisation Risk Reserve.
- 4.2.2 Since 2018/19 was the final year of the smaller Worcestershire Business Rates Pool with a move to the Pan-Worcestershire 75% Pilot for 2019/20, in line with governance arrangements, agreement was reached to redistribute the accumulated Risk Reserve to Pool members in March 2019. The Total Risk Reserve stood at £3.114m as at 31st March 2019. This Council's share was £533k. This has facilitated an essential top-up of the Business Rates Equalisation Risk Reserve to £1m to mitigate the significant inherent risk of the Funding Reform planned for implementation from 2020/21. The balance of the returned Risk Reserve was used to top-up the Innovation Fund as set out in paragraph 3.3 above.
- 4.2.3 Several factors have contributed to this good news. Firstly, growth has been quite positive this year. Secondly, whilst appeals remain a risk, and the Rating list issued by the Valuation Office effective from April 2017 has caused some concern, it has been possible to broadly manage potential new appeals and bad debt provision within our previous provision levels. The only exception to this is for ATMs for which additional appeals provision has been made in view of the potential outcome of the Supreme Court decision appeal. These factors, together with no significant business failings in 2018/19, have contributed to the Council's results. Based on the membership agreement of the Worcestershire Business Rates Pool, we should receive a Pool payment for our share of the retained levy of £105k commensurate with our growth. However, the increased risk around appeals in relation to Supermarkets, in particular, remains and although we have made provision within the accounts for such payments it is unknown if this will be sufficient.
- 4.2.4 The Business Rates Equalisation/Regeneration Risk Earmarked Reserve reduced during 2018/19 to £705k (uncommitted). This reserve now needs replenishing towards risk mitigation of unforeseen increases in appeals, rating list reductions, the impact of the ongoing Business Rates reform and potential decline in growth. To preserve and further increase this essential risk reserve, it is therefore necessary to allocate £295k of Business rate income to take this reserve to £1m (unallocated). This is proportionate to potential risks and is in line with risk reserves held by neighbouring

Worcestershire districts and will be kept under review and released into General Reserves in due course if it is not required.

- 4.3 The 2018/19 financial year has seen the introduction of a new accounting standard relating to the treatment of revenue (income) from contracts with customers (IFRS15). This revised standard requires the income from service contracts to be recognised as the performance obligation is satisfied. This has had a significant impact on planning fee income and the revenue from the green waste collection service.
- 4.4 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2018/19. These variances include:
- i) Positive pay related variance of £174k.
Reductions have been made in expenditure across the authority as austerity continues. This includes savings in pay budgets of £136k most of which is for vacant posts where recruitment has taken longer than anticipated and reductions in overtime, plus savings in pension costs.
 - ii) Housing Benefit Overpayments – decrease in provision for bad debts and improved recovery of overpayments- £166k favourable.
The introduction of Universal Credit has made the recovery of overpayments and required level for the bad debt provision very difficult to forecast and an improvement on the assumptions included in the approved budget has been achieved.
 - iii) Community Well-being and Environment – favourable variance of £199k (£301k including pay variances and capital charges)
There are a number of favourable variances across the directorate including an upturn in Car Park usage and season ticket sales in the final quarter (£62k). Details of all major variances are set out in Appendix 1.
 - iv) Economic Prosperity and Place – adverse variance of £11k (£nil including pay variances)
There are a number of favourable and adverse variances across the directorate including additional income from planning advice and reduced specialist fees (£33k). The impact of revised accounting for revenue recognition from service contracts (IFRS15) resulted in an adverse variance of £60k. Details of all major variances are set out in Appendix 1.
 - i) Property Debts – Bad Debt Provision – adverse £73k
An increase in the bad debt provision for property debts
 - v) Additional External Interest income/lower interest paid on loans of £30k
This additional interest on investments has resulted from slightly longer durations and robust treasury management of funds together with lower interest rates paid on external borrowing compared to budget assumptions.
 - vi) Release of earmarked reserves – favourable variance of £72k
Earmarked Reserves are subject to regular review and challenge by CLT with service managers encouraged to release reserves that are unlikely to be required.

vii) Additional earmarked reserves of £211k

The variance analysis includes expenditure of £95k to replenish the Innovation Fund to assist the Wyre Forest Forward Programme of innovation and £116k to replenish the general risk reserve. (An additional £255k has been added to the Innovation fund from Business rates income see paragraph 4.7).

viii) Opening balance adjustment re IFRS15 £176k

The variance analysis includes disclosure of the impact of adopting the new Revenue Recognition standard (see para 3.3 above)

- 4.5 It is clear that the future financial position for the Council will continue to be challenging with austerity measures set to continue to balance the macro budget in the run up to and beyond the exit from the European Union. The reduced level of funding currently programmed for the Council in the future is being mitigated by a raft of innovative reviews being developed and implemented as part of the Wyre Forest Forward programme.
- 4.6 The draft position for 2018/19 demonstrates that through prudent financial management and the review and release where relevant of existing earmarked reserves resources were made available to fund additional earmarked reserves (net of release of reserves) as set out in paragraph 3.7.
- 4.7 The Innovation Fund set up in 2011/12 for one-off implementation costs to support the Wyre Forest Forward programme has been extremely successful in delivering the change programme. This report outlines an additional £350k to supplement this reserve from final account savings and Business Rates Income. Taking this into account £587k remains uncommitted from this fund at the beginning of 2019/20.
- 4.8 It should also be noted that, the Working Balance has been increased to £1.2m to reflect the significant financial risks faced by this Council as a result of the planned fundamental changes to the Government Funding Regime in 2020/21 and beyond.

5. FINANCIAL IMPLICATIONS

- 5.1 The positive variance of £311,330 on net Service expenditure compared to the Revised Budget, reducing to £100,330 following the creation of a number of additional significant earmarked reserves, results in a contribution from General Reserves of £163,880 rather than the £264,210 planned use of reserves. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2019/20 onwards. The saving is greater than reported at Quarter 3 budget monitoring due to a number of events and decisions in the last quarter coupled with year-end transactions. Two additional reserves were also created out of the Business Rates surplus/Risk Reserve redistribution for this year, the first was a planned £295k top-up of Business Rates/Equalisation/Regeneration Risk Reserve, the second is for the Innovation Fund top-up of £255k.
- 5.2 These remain extremely challenging times for the Council given the impending changes to the landscape of the Government's funding regime that will continue to emerge as further consultation papers are published as we move towards implementation of the Funding Reform planned for April 2020. The saving on outturn

Agenda Item No. 8

is welcomed and has been utilised to earmark funds to meet potential liabilities, create resilience and also to increase General Balances compared to forecast, to mitigate the potential future impact of funding volatility.

- 5.3 Total general reserves available for the 2020/23 Financial Strategy should now stand at circa £3.787m compared to the previous forecast of £3.687m.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 None.

7. RISK MANAGEMENT

- 7.1 The principal risk to the Council is non-achievement of the Accounts and Audit Regulations 2015 deadline, in respect of production and approval of the Statement of Accounts before 31st May 2019, and qualification of the Accounts by the Council's External Auditors. Officers continue to work in close liaison with Grant Thornton to response to queries or additional evidence requests to mitigate the risk of not meeting the deadline.

8. EQUALITY IMPACT ASSESSMENT

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

9. CONCLUSION

- 9.1 This report details the provisional outturn position as at 31st March 2019 and provides information on the creation of further significant earmarked reserves.

10. CONSULTEES

- 10.1 CLT/Cabinet
10.2 Grant Thornton – External Auditors

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2015
Financial Strategy 2019/22

PROVISIONAL OUTTURN
MAJOR VARIATIONS BETWEEN REVISED BUDGET
AND ACTUAL NET EXPENDITURE FOR 2018/19

Total Revised Budget 2018/19	£ 12,016,120
	12,016,120
LESS:	
Actual Net Expenditure - not finalised - still subject to validation	11,916,356
	(99,764)
SAVINGS COMPARED TO 2018/19 REVISED BUDGET	
Increase in Funding from Business Rates/other Govt funding	(570)
OVERALL SAVING COMPARED TO REVISED BUDGET	(100,334)

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
Chief Executive and Solicitor to the Council		
1. New Burdens grant received for land Charges property searches		(15,000)
2. Receipts from Court and legal costs exceeded projections		(11,000)
3. Human Resources General contingency under spend		(6,000)
4. Wyre Forest forward savings unachieved (to be met from net salary savings see* below)	41,000	
Resources		
1. Housing Benefit - decrease in bad debt provision and improved recovery of overpayments		(166,000)
2. Increase in bad debt provision for Corporate and Property debts	73,000	
3. Unfunded Pension Fund Deficit Payments - Saving due to upfront payment of Pension Liabilities		(38,000)
4. Council Tax - increase in income from court costs recovered		(12,000)
5. Payroll Services - Negotiated settlement for payroll provision		(8,000)
6. Impact of Accounting standard implementation and review (Audit fee accrual)	44,000	
Community Well Being and Environment		
Cultural Services		
No significant variations to report		
Depot Services		
1. Procurement savings waste transfer station skip service		(18,000)
2. Parking Fees - Quarter 4 uplift in carpark usage and Season ticket sales		(62,000)
3. Civil Enforcement - Additional fines		(24,000)
4. Car Parking - Reduced maintenance costs		(34,000)
5. Garden Waste - Additional Income from increased customer base		(12,000)
6. Reduced reactive repairs (vandalism) and cost of general repairs Council maintained Public Conveniences		(20,000)
7. Parks and Green Spaces expenditure funded from S106 receipts		(31,000)
8. Release of funds from General Risk reserve to meet cost relating to asbestos (Depot 2020 site survey)		(15,000)
9. Reduced cost of maintenance sports pitches		(8,000)
10. Other net Community Wellbeing and Environment		(11,000)
Impact of Accounting standard implementation and review (IFRS15)	36,000	
Economic Prosperity and Place		
1. Wyre Forest House Reduced Income	8,000	
2. Development Control - Reduced Specialist Fees & Additional Income from Planning Applications and advice		(33,000)
3. Land Charges - Reduced Income	14,000	
4. Property - Increased Income across industrial estates/other property		(14,000)
5. Release of Earmarked Reserve for EPC		(38,000)
6. Impact of Accounting standard implementation and review (Licensing fee accrual)	58,000	
7. Other net Economic Prosperity and Place		(44,000)
Impact of Accounting standard implementation and review (IFRS15)	60,000	
Capital Account		
1. Interest - additional external interest received		(30,000)
2. Development Loans Fund interest received - initial lead times exceeded expectation	10,000	
Corporate Variations		
1. Total Payroll related variances * see WFF saving above		(177,000)
2. Replenishment of Innovation Fund (EMR)	95,000	
3. Transfer to General Risk Reserve	116,000	
4. IFRS15 opening balance accounting adjustment	176,000	
5. Icelandic Impairment and interest		(12,000)
	731,000	(839,000)
7. Miscellaneous variances (less than £5k)		7,666
REDUCED NET EXPENDITURE ON YEAR 2018/19 - PROVISIONAL		(100,334)
* Note re creation of Additional EMRs from Business Rates Risk Reserve Receipt		
Planned replenishment of Business Rates Equalisation/Risk Reserve		295,000
Innovation Fund		255,000
		550,000

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23 April 2019

Dear Tracey

Planned audit fee for 2019/20

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

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

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

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £ 37,681 which is the same as in 2018/19.

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

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors.

Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

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

Value for Money conclusion

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

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

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

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

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	9,420.25
December 2019	9,420.25
March 2020	9,420.25
June 2020	9,420.25
Total	37,681

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in March and work on the whole of government accounts return in June.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December to March	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	May to July	Audit Findings (Report to those	This report sets out the findings of our accounts audit and VfM work for the

Phase of work	Timing	Outputs	Comments
		charged with governance)	consideration of those charged with governance.
VfM conclusion	March, updated on receipt of out-turn	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	June	Opinion on the WGA return	This work will be completed alongside the accounts audit. (minimum procedures as below deminimus)
Annual audit letter	August	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Director	Peter Barber	0117 305 7897	Peter.A.Barber@uk.gt.com
Engagement Manager	Zoe Thomas	0121 232 5277	zoe.thomas@uk.gt.com
In Charge Auditor	Ellie West	0121 232 5279	Ellie.j.west@uk.gt.com

Additional work

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

Quality assurance

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

Yours sincerely



Peter Barber
 Director
 Grant Thornton UK LLP