

Open

Audit Committee

Agenda

6pm
Wednesday, 20th January 2021
To be held remotely



Audit Committee

Members of Committee:

Chairman: Councillor A Totty
Vice-Chairman: Councillor P W M Young

Councillor V Caulfield
Councillor B S Dawes
Councillor A L L'Huillier

Councillor R Coleman
Councillor N J Desmond
Councillor C Rogers

Information for Members of the Public:

Members of the public will be able to hear and see the meetings by a live stream on the Council's website: <https://www.wyreforestdc.gov.uk/streaming.aspx>

This meeting is being held remotely online and will be recorded for play back. You should be aware that the Council is a Data Controller under the Data Protection Act 2018. All streamed footage is the copyright of Wyre Forest District Council.

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

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

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

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

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

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

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

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

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

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

For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sian Burford, Assistant Committee Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF.
Telephone: 01562 732766 or email sian.burford@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Wednesday, 20th January 2021

To be held remotely

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 28 th October 2020.	6
5.	Audit Progress Report and Sector Update To receive a progress report from Grant Thornton.	10
6.	Annual Audit Letter for Wyre Forest District Council To receive the Annual Audit Letter from Grant Thornton confirming the findings of the audit of accounts for the year ended 31 st March 2020	25
7.	Internal Audit Monitoring Report Quarter Ended 31st December 2020 To receive a report from the Audit Manager / S151 Officer which informs members of the Internal Audit Monitoring Report for the Quarter ended 31 st December 2020.	42

8.	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.	
9.	<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

10.	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.	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

HELD REMOTELY

28TH OCTOBER 2020 (6PM)

Present:

Councillors: A Totty (Chairman), P W M Young (Vice-Chairman), V Caulfield, R Coleman, B S Dawes, N J Desmond, A L L'Huillier, C Rogers.

Bodrul Zzaman – Independent Person

Observers:

Councillors G W Ballinger, Councillor H E Dyke, Councillor P Dyke, Councillor C Edginton-White, and Councillor F M Oborski MBE attended as observers.

The Chairman thanked Councillor Sarah Rook for her contributions as Vice Chair of the Audit Committee and welcomed Councillor Peter Young who was stepping into the position. He also welcomed Councillor Roger Coleman to the Committee.

AUD.49 Apologies for Absence

There were no apologies for absence.

AUD.50 Appointment of Substitutes

No substitutes were appointed.

AUD.51 Declarations of Interests by Members

No declarations of interest were made.

AUD.52 Minutes

Agreed: The minutes of the meeting held on 22nd July 2020 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.53 Sector Update

The Committee received a sector update from Grant Thornton (GT). The Engagement Lead took Members through the report identifying key points. He explained that this would usually also be a progress report but as this would be covered by agenda item 6 this report solely concentrated on the sector update from GT and other relevant organisations. There was detailed discussion around the Redmond review which looked at the effectiveness of the local audit market within the public sector with Members asking questions of the Engagement Lead around the review.

The Audit Sector Update was noted by the Committee.

AUD.54 Audit Findings Report for Wyre Forest District Council – 2019/20 Accounts

The Committee received an audit findings report setting out the main findings of the external audit of accounts for 2019/20 from Grant Thornton. The Engagement Lead informed Members that the deadline for the report had been extended due to Covid-19 but he was pleased to say that the report was due to be completed before the deadline, despite the challenges faced, and he thanked Wyre Forest District Council (WFDC) Officers for their co-operation and support throughout the audit. The purpose of the audit was to offer an opinion on the accounts and a value for money conclusion. The criteria by which the audit is conducted is due to change from 2021 and Members will be fully briefed on those changes at a later date. The Engagement Lead updated Members on the key messages and remaining issues arising from the audit and said that it was expected that all outstanding issues would be satisfactorily concluded to enable an unqualified opinion on the Council's financial statements to be issued by the deadline.

The Engagement Lead discussed the key area of property plant and equipment as more questions had been asked around this area during the audit in order to offer confidence as a result of Covid-19 and the material uncertainty around this area, which is an issue across the country and not just Wyre Forest specific. GT concurred that WFDC was a going concern and the accounts could be prepared on this basis and there were no material uncertainties that changed this assumption.

The Audit Findings Report for Wyre Forest District Council – 2019/20 Accounts were noted by the Committee.

AUD.55 Statement of Accounts 2019-20

The Committee received a report from the Chief Financial Officer on the Statement of Accounts 2019-20. She offered her thanks to the GT team and the WFDC finance team for their support during a very difficult year. She informed Members that the recommendation was slightly different this year and the Committee were being asked to approve the accounts but authorise the Chief Financial Officer to make any minor changes necessary to finalise the accounts. This is unusual compared to other years due to current circumstances as the external audit is not yet complete. All Members of the Audit Committee had received a copy of the statement of accounts showing the changes and the Chief Financial Officer was pleased that GT had indicated they would issue an unqualified opinion subject to finishing the audit.

The overview of the Statement of accounts will be made available on the website providing a simplified format for easier reading.

The Audit Committee agreed:

1.1 The Audited Statement of Accounts for 2019/20 be approved and authorised the Corporate Director: Resources to make any minor changes that were appropriate as part of resolution of the final external audit queries should this be necessary.

1.2 The Letter of Representation for 2019/20 attached at Appendix 1 of the report be approved.

AUD.56 Internal Audit Monitoring Reports for Quarters 1 and 2 Against 2020-21 Audit Plan

The Committee received a report from the Audit Manager which informed Members of the internal monitoring reports for quarters 1 and 2 against the 2020-21 audit Plan. The two quarters were brought to the Committee following the rescheduling of a previous meeting. She updated Members on the progress of the work of the Audit Team against the Audit Plan and walked Members through the information detailing the summary of reports that had been issued for the quarter to date which showed full assurance with no recommendations to be made in those areas. The Audit Manager updated Members on the current work being carried out by the team and informed them that although the team were slightly behind on performance against the plan, due to annual leave and training for the internal auditor, this was not a concern and she was confident that the target of 95% of the plan would be completed for the year.. Staff resources have been allocated to the checking of the Covid-19 business grants payments which had taken additional time but offered confidence that they were being administered correctly for the Council.

The Audit Committee considered the Internal Audit Monitoring Report for the six months ended 30th September 2020 as detailed in the Appendix to the report.

AUD.57 Counter Fraud Arrangements 2020-21

The Committee received an update from the Audit Manager on the current counter fraud arrangements in place. This annual provided Members with an update on the work of the Compliance Officers within the Revenues & Benefits team, the corporate fraud resource aligned to the Audit Team and the ICT work around cybercrime. The Audit Manger took Members through the report in detail expanding on the key issues including the Fighting Fraud & Corruption Local Government Agenda and the Fraud Alert System. She expanded on the work done by the ICT Team to stop potential attempted frauds and highlighted that the ICT Manager and his team had obtained the Cyber Essentials Certificate accredited from the National Cyber Centre. In addition, the Audit Manager explained WFDC participation in the National Fraud Initiative and the information provided by WFDC to protect public funds.

The Audit Manager updated the Committee on the impact of Covid-19 and the areas that currently required extra focus to prevent fraud. In answer to a Members question she said that it was difficult to put an exact figure on the money saved by detecting frauds however, it was evident that savings were made by preventing these frauds and errors.

The Audit Committee considered and noted this report on the counter fraud arrangements within the Council.

AUD.58 Risk Management – Corporate Risk Register

The Committee received a report from the Section 151 Officer informing Members of the current Corporate Risk register and the budget Risk Matrix. She informed Members that risk management was well embedded at WFDC and each Committee report contained a risk management section to keep Members informed, and specific risk management logs were kept separately for larger

Agenda Item No. 4

projects and Officers worked to keep these updated with a red, amber, green (RAG) rating that Members were familiar with. She explained that budgetary control reports covered financial risk and these had recently been dominated by Covid-19 and the resultant budget deficit. Cyber risk is also recognised as a significant risk. The Section 151 Officer then went through each page of the Corporate Risk Register 2020/21 answering questions as they arose on each of the identified risks.

The Audit Committee considered and noted the Corporate Risk Register and the associated mitigating actions as at 30th September 2020 and the 2020-23 Budget Risk Matrix.

There being no further business, the meeting ended at 7:21pm.

Audit Progress Report and Sector Update

Wyre Forest District Council
Year ending 31 March 2020

5 January 2021



Contents

Section	Page
Introduction	3
Progress at January 2021	4
Audit Deliverables	5
Appendix A – VFM Arrangements	6

Introduction



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

The paper also includes:

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

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

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

Progress at January 2021

2019/20 Audit

Opinion for the Council

We presented our Audit Findings Reports (ISA260) at the Audit Committee on 28 October 2020. In these reports we set out that our anticipated opinion was unqualified and was to include an Emphasis of Matter paragraph highlighting the material uncertainties disclosed in the financial statements in respect of land and buildings.

Subsequent to the committees we completed our audit procedures and issued our anticipated opinion, as set out above, on the 12 November 2020. We also issued the certificate on the same date.

Value for Money (VFM) conclusion

In addition to the opinion on the financial statements, we are also required to issue our Value for Money (VFM) conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. As indicated at the 28 October 2020 Audit Committee we were expecting to issue a unqualified VFM conclusion based on our review of your arrangements for securing sustainable resource deployment. We issued a clean VFM conclusion, concluding that the Council does have arrangements in place to secure VFM on the 12 November 2020 alongside the opinion on the financial statements

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The planning of the certification work for the 2019/20 has been completed. We have also completed the initial discovery testing. This identified a number of areas where additional testing is required and this work is currently underway. We intend to complete our work by the revised deadline of 31 January 2021.

Other areas

Events

Our annual chief accountants workshops will take place early in the new year. These events, spread throughout the country, will be open to your key finance officers and focus on the learning from 2019/20 across the sector as well as providing early insight and views on emerging issues affecting 2020/21 closedown.

2019/20 Proposed Audit Fees

In our Audit Findings Report presented to Audit Committee on 28 October 2020 the fees section indicated that final fees for 2019/20 were to be confirmed.

We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £7,000. This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities. Further details on the make up of all the additional fees are set out in our Annual Audit Letter.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

VFM for 2020/21 and onwards

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance. More detail is provided on the impact of this change in appendix A.

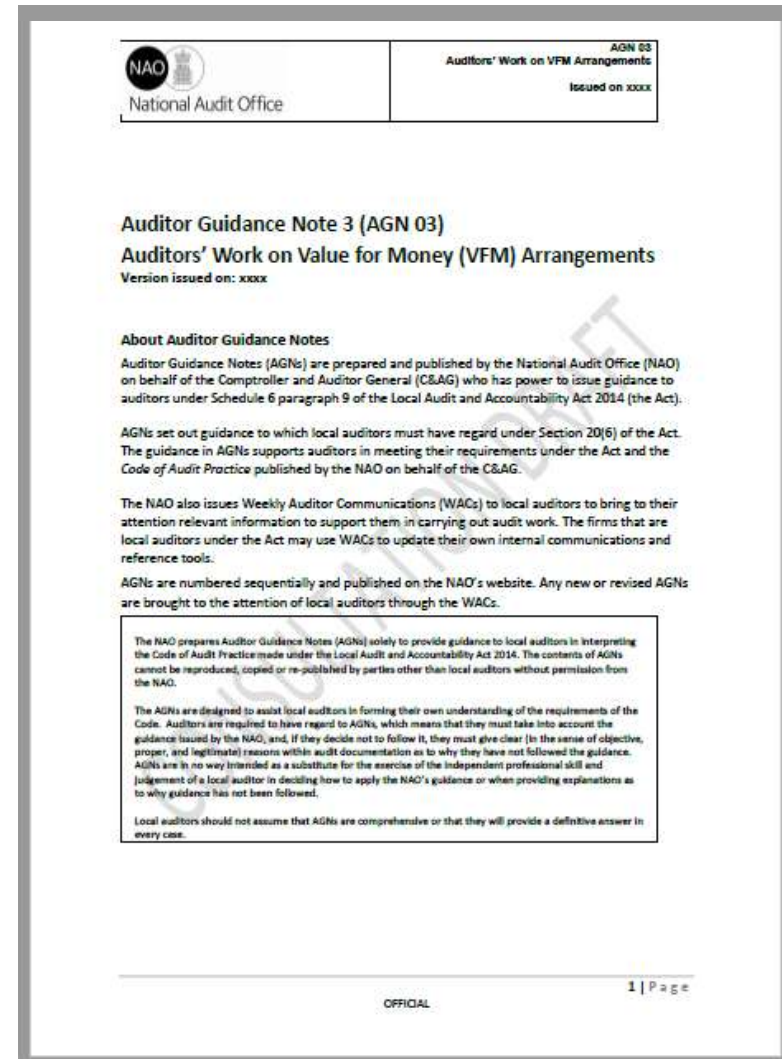
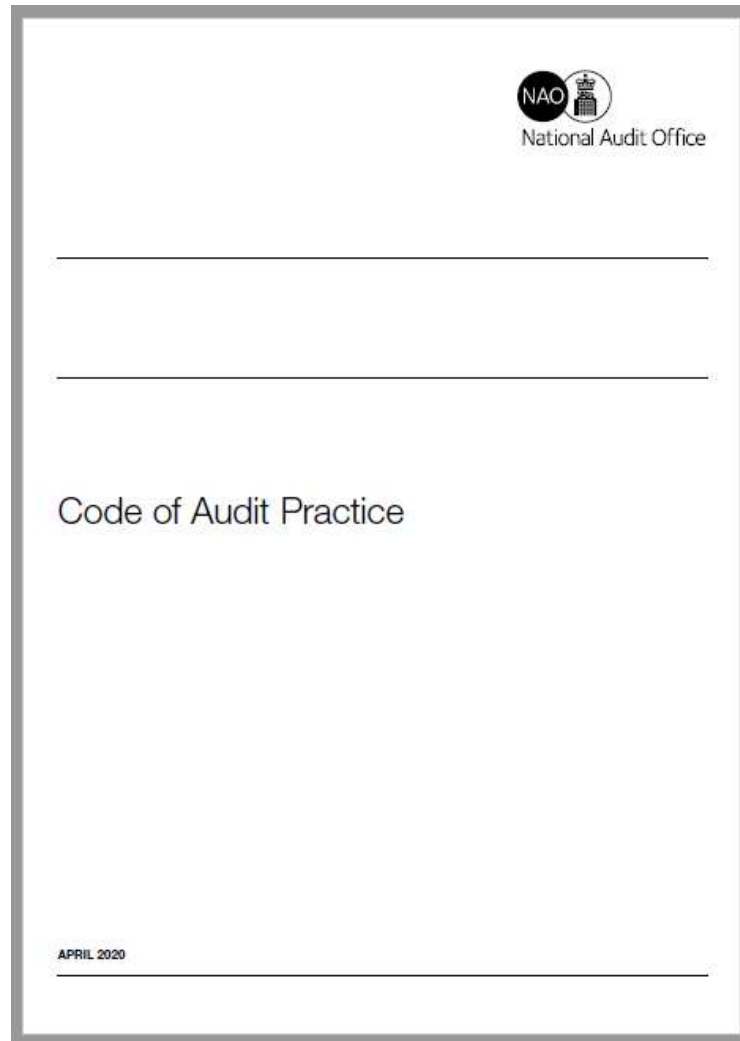
Audit Deliverables (updated – Covid-19 impact)

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2019/20. We appended the updated fee letter seeking additional fees as a result of the increased regulatory focus facing all audit suppliers.</p>	April 2019	Complete
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements. This includes the findings of our value for money initial risk assessment.</p>	February 2020	Complete
<p>Progress Report</p> <p>We report to you the findings from our audit to date and our initial value for money risk assessment.</p>	July 2020	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report was reported to the October Audit Committee.</p>	September 2020	Complete
<p>Auditors Report</p> <p>This is the opinion on your financial statements, annual governance statement and value for money conclusion.</p>	September 2020	Complete
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	October 2020	On this agenda.

Appendix A

Auditor's work on VFM Arrangements

How have the NAO changed value for money work ?

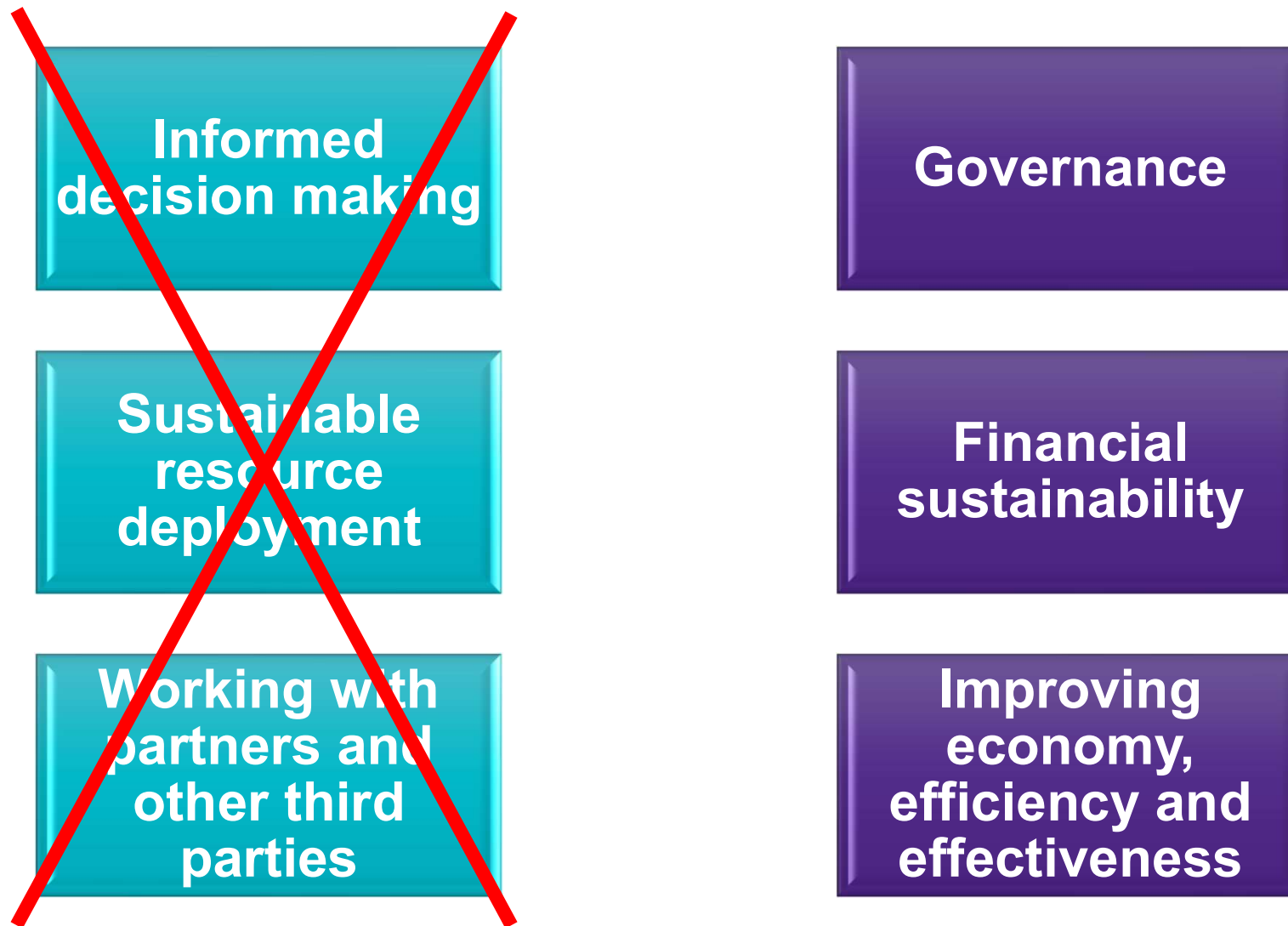


How is value for money work changing ?



VFM arrangements commentary and recommendations

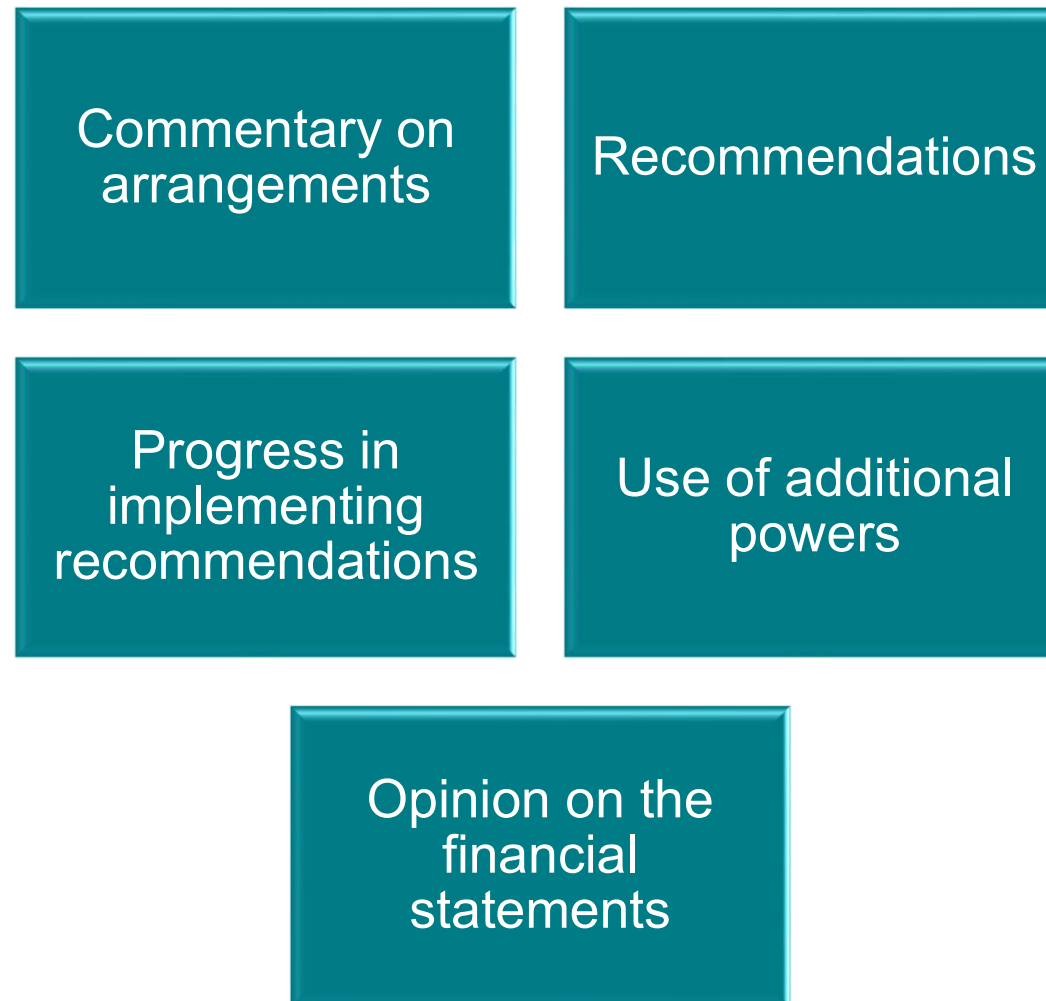
The three criteria have changed...



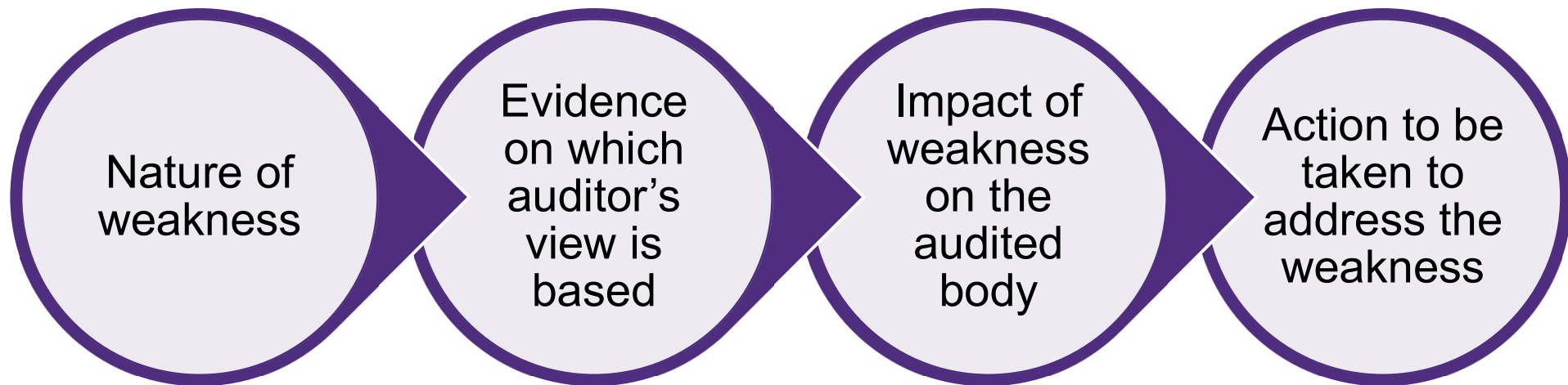
A key change in reporting...



So what is in an Auditor's Annual Report ?



Recommendations

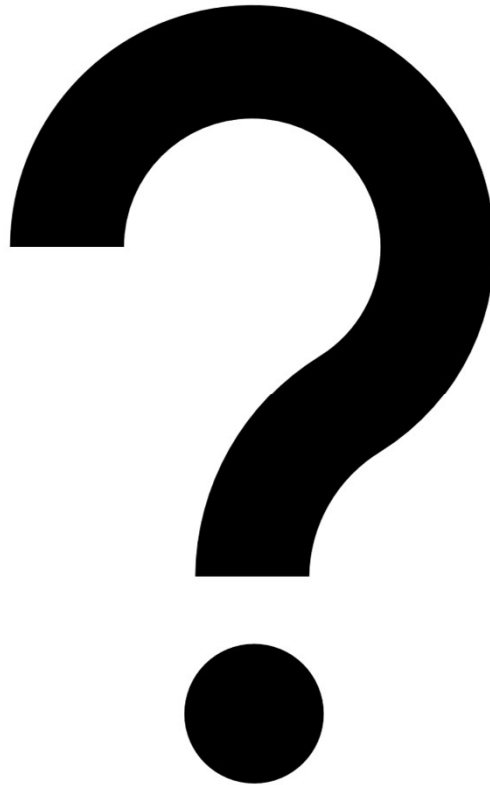


Practical implications

The new approach is more complex, more involved and will lead to better quality working achieving more impact. Before beginning work, we will discuss with you:

- Timing
- Resourcing
- Fees

Q&A





The Annual Audit Letter for Wyre Forest District Council

Year ended 31 March 2020

5 January 2020



Contents



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Section

	Page
1. Executive Summary	3
2. Audit of the Financial Statements	5
3. Value for Money conclusion	11

Appendices

A Reports issued and fees	
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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Wyre Forest District Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 28 October 2020.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,000,000, which is 1.9 % of the Council's gross cost of services.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 12 November 2020. We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.
Whole of Government Accounts (WGA)	We completed the return to the National Audit Office in line with guidance.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report dated 12 November 2020.

Certificate We certified that we have completed the audit of the financial statements of Wyre Forest District Council in accordance with the requirements of the Code of Audit Practice on 12 November 2020.

Working with the Council

It has been a challenging year due to the impact of COVID-19.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to ensure we have gained sufficient audit evidence for the entries within the financial statements. This has meant a greater reliance on video calling for many aspects of the audit, particularly in terms of the use of sharing of screens to watch transaction listing being run. Where information is normally provided in a spreadsheet format, we have undertaken additional levels of testing to ensure that the information provided hasn't been manipulated prior to being sent to the audit team.

We are pleased to report that this process has worked well with both teams collaborating to identify solutions to hurdles presented by remote working. Our 'info' document sharing system has facilitated this but inevitably the remote working has impacted on delivery and additional resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff .

Grant Thornton UK LLP
January 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £1m, which is 1.9% of the Council's gross cost of services. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration at £13,000. We set a lower threshold of £50,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>There were no matters of concern arising from our work.</p>
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we determined at the planning stage that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including Wyre Forest District Council, mean that all forms of fraud are seen as unacceptable <p>We reviewed material revenue transactions as part of our audit and we were satisfied that there had been no changes of circumstance requiring us to alter our proposed strategy with regards to revenue recognition in the latter part of the year.</p> <p>Our audit work did not identify any issues in respect of improper revenue recognition.</p>	

Audit of the Financial Statements

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation; - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates; - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. The draft financial statements were provided on 26 June 2020, which was ahead of the revised date agreed with officers; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations; and • evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment. 	<p>Our audit work did not identify any significant issues in respect of Covid-19 specific risks. This is not to say that there has not been an impact. The Council have highlighted a material uncertainty in relation to land and building valuations within note 4 to the financial statements.</p> <p>The financial challenges into the medium term has also increased due to the lost income, additional costs and the uncertainty of future government funding in respect of Covid-19.</p>

Audit of the Financial Statements

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings (Rolling revaluation)</p> <p>The Council revalue its land and buildings on a rolling five-yearly basis, although this year officers have started to review the larger assets annually to minimise the risk of misstatement and all of the capital portfolio has once again been revalued.</p> <p>This valuation of PPE represents a significant estimate by management in the financial statements due to the size of the numbers involved (£65 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; written to the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and evaluated the assumptions made by the valuer for those assets revalued at 31 March 2020. For the assets not formally revalued in year we have assessed how management has satisfied themselves that these assets are not materially different to current value at year end. 	<p>We note that the accounting policy indicates that the Council does not charge depreciation on the year of acquisition or when an asset becomes operational, as is required in the code. Depreciation is charged in the year of disposal and thus officers are satisfied that depreciation is charged appropriately over the life of the asset.</p> <p>The Council has valued 90% of the value of its asset base as at 31 December 2019 and then undertaken a review to consider whether there has been any substantial movements by the year end (based on indices and supported by the valuer). The valuer has supported a review of the remaining unvalued assets to be satisfied that there is no indication of a material movement not reflected in the accounts.</p> <p>The Council has further extended its capital portfolio this year with the acquisition of retail and industrial units totalling £6.895m. The Council has set out its justification for the treatment of these assets as 'operational' and are consequently valued at existing use value, in line with the accounting policies, (as opposed to fair value which is required for investment and surplus assets), as they are not held solely for capital appreciation or rental income and because their acquisition supports the Council's economic regeneration ambitions.</p> <p>All capital portfolio additions have been valued this year and valuations of these and other assets such as car parks have been influenced by an assessment of the market, i.e. considering rents received and market rents for similar properties; and in the case of car parks, income received. There is an increased risk that in 2020/21 these income streams could be adversely impacted by Covid-19</p> <p>The valuer has included a 'material uncertainty' in his report which is referenced in Note 4 of the financial statements. We included an emphasis of matter paragraph in the audit opinion to reflect this. This is in line with other local councils.</p>

Audit of the Financial Statements

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£61.5 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • In 2017 the Council made an advance payment for the pension fund. This is year 3 and we have checked that the accounting is in line with the agreed accounting treatment in prior years; • We sought and received assurances from the auditor of Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>Our work has not identified any issues in respect of valuation of the net liability.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 12 November 2020.

Preparation of the financial statements

The Council presented us with draft financial statements in June in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 28 October 2020.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the draft Statement of Accounts in June.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Wyre Forest District Council in accordance with the requirements of the Code of Audit Practice on 12 November 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in October 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money

Financial Sustainability: *Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.*

The financial strategy was anticipating a funding gap of £1.74m by 2022/23. There is a continuing focus at the Council on identifying savings along with some use of reserves over the period of the medium term financial plan. The Council has historically underspent against its budget and in-year forecasting.

We will consider the Council's financial strategy, with particular focus on the management of savings, reserves management and in-year budget delivery.

Findings

2019/20 out-turn compared to budget

At a service level the Council reported a net underspend of £712k against the original budget for 2019/20 (£412k against the revised budget). At quarter 1 (reported September 2019) a £37k underspend was anticipated. The out-turn position reflects some significant variances at a service level; community and wellbeing 12% underspend, economic prosperity and place 69% overspend and over 100% underspend on capital account, although most of the variance on this is due to changes which were anticipated at Q3.

Business rate income is £5.863m compared to the budget of £3.396m. The majority of this difference relates to the one-off benefit of the change to the appeals provision (WFDC share of the £2.5m reduction in NNDR appeals provision) which was not known about when the budget was set, however, there still remains a variance of £893k of income (26%) to the original budget.

In previous years, we have reported on the robustness of budget setting and the accuracy of in year reporting at the Council. Reliable forecasting of business rates income is recognised by management as particularly challenging and historically the Council has underestimated the level of income from business rates. The continued level of variance between original budget and outturn highlights a need for future budgets to be based on as accurate and realistic estimates as possible having regard for past performance. That said, we do recognise that any underspends have provided the Council with additional capacity to respond to the financial pressures emerging as a result of Covid-19.

General fund balances and earmarked reserves

The underspend in 2019/20 allowed the Council to increase its General Fund balances by £1.9m in year (£1.4m 2018/19, £0.8m 2017/18), inclusive of a net increase of £884k to earmarked reserves. As at 31 March 2020 the Council has £6m of General Fund balances and a further £8.7m of earmarked reserves set aside for specific purposes. This in our view is a healthy level of reserves and balances given the size of the Council.

Savings

Savings are reported on a cumulative basis and are built into the original budget. The 2019/20 budget was predicated on the delivery of £2.9m of savings. These are detailed in the Wyre Forest Forward savings, of which £2.7m had been secured at the start of 2019/20.

Value for Money

Findings (continued)

2020/21 medium term financial plan

The 2020/21 updated Medium Term Financial Plan indicate further in year savings of £188k and £545k respectively to be achieved by March 2022. The Quarter one 2020/21 report to Cabinet in September 2020 revisits the assumptions in this forecast and reflects the estimated impact of Covid-19. The grant funding provided by central government is judged to not be sufficient to offset the cost pressures of £1.2m leading to an increase in the funding gap to £1.5m by 2021-22. The Council is facing significant shortfalls in income, including that from its capital portfolio where the full year impact of arrears after provisions for bad debts is £300k. Other areas adversely impacted are car parking income which is estimated to reduce by £561k in 2020/21 and the leisure contract having additional costs of £551k.

The Council is required to prepare 'Delta' reports to MHCLG monthly setting out the impact of Covid-19 on the Council's financial health. There is a recognition that this additional funding will not be sufficient to cover all costs and a call on reserves is probable. There are further risks to delivery of the 2020/21 planned savings, some of which are dependent on income generation, which will clearly be negatively impacted in 2020/21 and potentially beyond. The use of reserves set out in the 2019/22 strategy is likely to be higher than planned and is likely to result in the increased reliance on reserves and balances into the medium term to support the financial position, at least in the short term.

The impact of Covid-19 has been revisited throughout the pandemic with regular reporting to decision makers as clarity emerged on the likely impact on income and expenditure as well as likely government funding.

Conclusion

Based on the work completed we have concluded that the Council have adequate arrangements in place to deliver financial sustainability. Again this year, we note the continued trend of variations against original budget that have emerged this year in the final quarter resulting in a significant underspend against budget. Scope remains to ensure budgets are challenging and realistic rather than prudent.

We have concluded that the Council has responded appropriately to the impact of Covid-19 on its medium term financial planning. The Council recognises the additional pressures this places on its financial health due to a combination of loss of income and increased costs compounded by greater expectation from its stakeholders and continued austerity. The Council's capital portfolio fund that generates income from rentals is likely to have more associated risks than was originally envisaged due to the impact on Covid-19 on the retail and office sectors. The Council needs to ensure it reassesses the continued investment in these areas to ensure they still offer appropriate value for money.

The financial years 2020/21 and 2021/22 will see perhaps the peak of the challenge with short-term reduced levels of income, impact on savings, and uncertainty of funding. It is therefore business critical that officers and members take decisive action to identify further mitigations by way of reducing costs or increasing income. It is also crucial the medium-term financial plan is refreshed at the earliest opportunity.

Continued close in year monitoring and timely corrective action will be required to ensure budgets are delivered.

A. Reports issued and fees – Wyre Forest District Council

Audit fees 2019/20	Proposed fee
District scale fee	37,681
Additional proposed audit fee at planning stage	8,500
Total proposed audit fees (excluding VAT) at planning	£46,181
Further additional fees proposed at completion	7,000
Total proposed audit fees (excluding VAT) on completion	£53,181

Reports issued

Report	Dated issued
Audit Plan	March 2020
Audit Findings Report	19 October 2020
Annual Audit Letter	17 December 2020

The Wyre Forest District Council Audit Plan date March 2020 included £8,500 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the total proposed audit fees at planning above of £46,181.

Since the presentation of the audit plan and subsequent letter, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £7,000 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £53,181. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Appendix A – Wyre Forest District Council Audit fee variations – Further analysis

Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval

Audit area	£	Rationale for fee variation
Scale fee	37,681	
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This required additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – (IAS) 19	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	1,750	We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
New Accounting Standards	1,500	Note that PSAA's original scale fee for this contract was set in March 2018, so any new developments since that time need to be priced in. You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust.
Reduced materiality	1,000	Reduction from 2% gross spend to 1.9%
Revised planning fee	46,181	
Covid-19	7,000	Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes: <ul style="list-style-type: none"> Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including managing around agreed dates for receiving the accounts in light of knock on implications of other sector audits, and delays in responses during audit fieldwork. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

Total proposed audit fees on completion 53,181

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services	
- Housing subsidy	£12,000

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
20th JANUARY 2021**INTERNAL AUDIT MONITORING REPORT**
QUARTER ENDED 31ST DECEMBER 2020

OPEN	
CABINET MEMBER	Cllr G Ballinger: Strategy & Finance
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 31 st December 2020

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st December 2020, 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 December 2020.**

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 2020~21 in March 2020. 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. The approved plan for 2020~21 reflects the reduced staffing resource following a mini restructure of the Internal Audit Team from April 2019. In addition, at its meeting of 22nd July 2020, the Audit Committee approved an addendum to the 2020~21 operational internal audit plan, which identified those key areas where it is anticipated that the scope of the internal audit work may/will vary in light of the ongoing Covid-19 pandemic.
- 3.3 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Leadership Team and to the External Auditors.

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

Section 1	Follow up reviews undertaken in the quarter; incorporating recommendations in progress
Section 2	Final Internal Audit Reports issued
Section 3	Draft Internal Audit Reports issued
Section 4	Work In Progress to include draft reports issued following completion of 2019~20 Annual Audit Plan as applicable.
Section 5	Performance Statistics & Additional Assurance work undertaken

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

- 3.5 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by Internal Audit to require management's attention. The final audit report will recognise those areas of improvement and recommendations promptly actioned during the course of the audit, in order to raise the overall level of assurance given by Internal Audit at the completion of the full review.
- 3.6 The Internal Audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to the respective Corporate Leadership Team member and their nominated service manager{s} for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.
- 3.7 The Internal Audit Charter requires an annual opinion on the Council's internal control environment. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's internal control environment, which is reported to the Audit Committee early in the municipal calendar to align with the final accounts closedown that has previously been held in May {October for 2019~20 in light of the Covid-19 Pandemic}.
- 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 digital) 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.

Agenda Item No. 7

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 monitoring report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been designed to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. Following an external review of the Internal Audit Service in April 2018, presentational changes were 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 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 Standards. 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.
- 4.5 Following the Government lockdown announced on 20th March 2020 in light of the Covid-19 pandemic, the Internal Audit Team were migrated to home working and continue to do so, which has enabled a seamless continuation of service provision. The impact on the previously approved 2020~21 internal audit plan was reviewed and approved by the Audit Committee at its meeting of 22nd July 2020.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 section 5(1) require that:
"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

7. RISK MANAGEMENT

- 7.1 In order to manage risk, internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 7.2 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.
- 7.3 The Internal Audit service is one element of the Council's assurance/internal control framework.
- 7.4 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.
- 7.5 Key audit risks are evidenced against expected controls for all internal audit briefs. This presentational change as recommended by the external review, helps to increase focus on risk management issues throughout the delivery of each specific audit review.

8. CONCLUSION

- 8.1 The work undertaken by the Internal Audit Team in the quarter ended 31st December 2020 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

9. CONSULTEES

- 9.1 Corporate Leadership Team

10. BACKGROUND PAPERS

- 10.1 22nd July 2020 ~ Audit Committee ~ Addendum to Internal Audit Plan 2020~21
25th March 2020 ~ Audit Committee ~ Internal Audit Annual Plan 2020~21
28th November 2018 ~ Audit Committee ~ Quality Assurance & Improvement Programme
30th July 2018 ~ Audit Committee ~ Internal Audit Charter {Updated}
Accounts and Audit Regulations 2015 {SI 234}
Accounts and Audit Regulations (Coronavirus) (Amendment) Regulations 2020



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st DECEMBER 2020**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31st December 2020

INDEX	PAGE
SECTION 1 Follow up Reviews undertaken in the Quarter	48
SECTION 2 Final Audit Reports issued in the Quarter	49
SECTION 3 Draft Audit Reports issued in the Quarter	50
SECTION 4 Work In Progress (Including Action Plans Issued) & Draft reports following the completion of the 2019/20 Internal Audit Annual Plan	51
SECTION 5 Performance against Annual Plan for the Financial Year 2020/21	52
Including Consultancy & Advice for the Quarter & Comparison of Consultancy & Advice for Quarter 31 st December 2019 & 31 st December 2018	53
Supporting Information for Other Internal Audit work including the Wyre Forest Forward reviews, process designs.	54~55
 <i>Cheryl Ellerton</i> AUDIT MANAGER	
 <i>Tracey Southall</i> SECTION 151 OFFICER	

5TH January 2021

SECTION 1

Quarter Report to the 31st December 2020

Summaries of Follow up Reviews undertaken in the Quarter

KEY

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

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

SECTION 1 FINAL AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 31 st DECEMBER 2020		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems (Annual Assurance Reviews)		
2020~21 Accounts Receivable {Corporate Debtors} ~ Reconciliation	F	-

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

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

Quarter Report to the 31st December 2020

DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 31st December 2020		
TITLE	DATE OF ISSUE	REPORT STATUS
-	-	-

THERE ARE NO DRAFT REPORTS ISSUED FOR THIS QUARTER. THIS SECTION HAS BEEN INCLUDED FOR CONTINUITY.

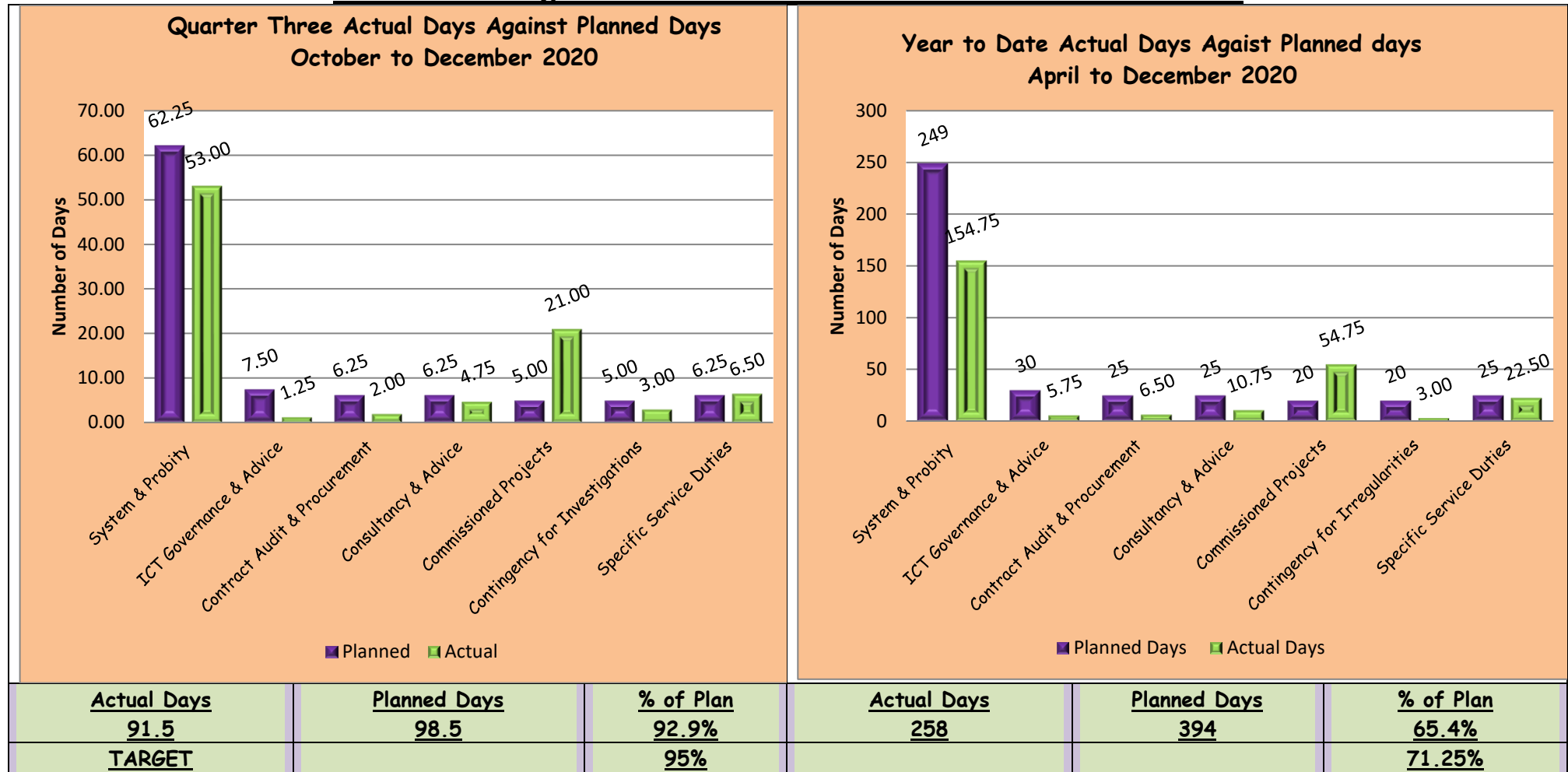
SECTION 4

The following Action Plans/Progress Reports 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 2020~21 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31 st DECEMBER 2020		Status	Action Plans/Progress Report			DATE OF COMPLETION OF FIELD WORK
RISK ASSESSMENT	AUDIT REVIEW	As At 31.12.20	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	
	Core Financial Systems (Annual Assurance Reviews)- 2020~21 Annual Audit Plan					
RA40	Accounting Cash To Bank Bank Reconciliation Income to Bank {TIC/Museum} Income to Bank {Hub ~ Green Street} Income to Bank {WFH}	Stage 3 Stage 2 Stage 2 Stage 2	- - - -	09.11.20 - - -		
RA57	Benefits {Inc Council Tax Discounts (Local Scheme)} Council Tax Reduction {Local Scheme} ~ Compliance Housing Benefit {Allowances} Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 2 Stage 2 Stage 2	- - -	- - -		
RA16	Council Tax Ctax Reconciliations ~ {To include Gross Debit 2020/21} Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control} Ctax Compliance/Recovery	Stage 6 Stage 1 Stage 3	09.07.20 {FR} - -	- - 13.11.20		
RA44	Creditors (Accounts Payable) Creditors {Accounts Payable } ~ Compliance Creditors {Accounts Payable} ~ Reconciliation	Stage 2 Stage 2	- -	- -		
RA51	Debtors (Accounts Receivable) Debtors {Accounts Receivable} ~ Compliance Debtors {Accounts Receivable} ~Reconciliations	Stage 2 Stage 6	- -	- 18.11.20 {FR}		
RA21	National Non Domestic Rates NNDR ~ Reconciliations ~ {To include Gross Debit 2020/21} NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control} NNDR ~ Compliance/Recovery	Stage 6 Stage 2 Stage 3	09.07.20 {FR} - -	- - 11.11.20		
RA51	Payroll (Including Mileage & Subsistence Claims) Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) Payroll ~ Reconciliations	Stage 2 Stage 2	- -	- -		
RA32	Treasury Management {Strategy, Reporting & Management}	Stage 2	-	-		
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 Plans/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

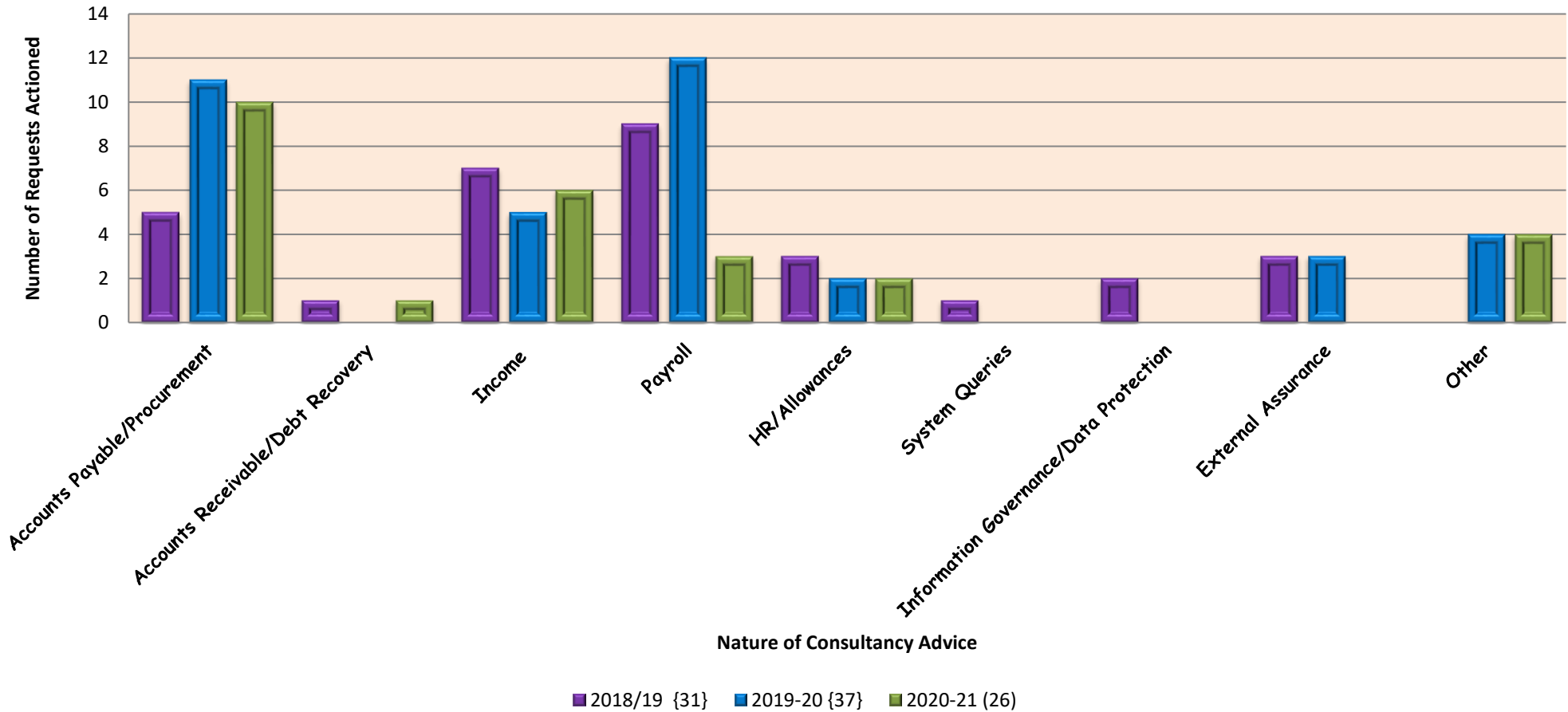
Performance Against Annual Plan For The Financial Year 2020~21



➤ For the quarter to 31st December 2020 actual against plan is 92.9 % compared to a target of 95% {91.4% against 95% for quarter 31st December 2019}

Within the time allocated in the above table, during this third quarter of 2020~21 the Internal Audit Team have responded to **26** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **37** requests received and actioned for the same period for 2019~20 and the **31** requests received and actioned for the same period in 2018~19.

Comparison of Audit Consultancy & Advice
Quarter 3 {October~December} ~ 2018/19 ~ 2019/20 ~ 2020/21



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 2020~21 Internal Audit Annual Plan approved by the Audit Committee in March 2020 as summarised below: -

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Strategy Board Meetings.
- Attend the Cyber Security & Information Governance Working Group

Contracts & Procurement

- Monitoring of the contract payments for the development of the Depot site at Green Street.
- Monitoring of the contract payments for development of the Frecco {Unity Park} site at Silverwoods.

Wyre Forest Forward ~ Continuous Improvement Work

Members of the Internal Audit Team continue to be involved in Wyre Forest Forward continuous improvement reviews; overseeing and advising on proposed system changes to ensure key controls are not compromised. The role of the Audit Team is to ensure that risk is mitigated in the event of proposed changes to current systems and maintain good governance and financial systems resilience. During this period, the Internal Audit Team were able to advise and support the Finance Team and Car Parking Team in respect of a new Residents Parking Scheme to ensure all controls were in place.

Corporate Issues

Internal Audit continue to undertake work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office to support the continuous programme of work an exercise that matches electronic data within and between the Council and other public and private sector bodies to prevent and detect fraud with the 2020~21 programme of work now commenced and required data sets submitted to the Cabinet Office in respect of Trade Creditors, Taxi Licences, Payroll and Housing Benefit Claimants.

During this third quarter, the Internal Audit Team assisted the HR and Finance Teams by the completion an independent validation exercise on establishment to pay to support the corporate Pay & Grade Review.

Covid-19**A: National Lockdown 23rd March 2020**

Following the Government announcement that there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, to support the work of the Revenues and Benefits Team and to mitigate against the risk of fraud, the Internal Audit Team have undertaken detailed post assurance payment checks on the grant payments made to cover both the mandatory and discretionary schemes.

- In respect of those grants paid under the mandatory scheme, a sample of payments were reviewed from each batch of transactions to ensure the NNDR accounts were live, grants were paid in accordance with the rateable value of the business, bank accounts and sort codes were accurate and no duplicate payments had been made.
- In respect of those grants awarded under the discretionary scheme, all payments were reviewed to ensure an application form had been completed, the businesses met the criteria as laid out in the scheme and the business had not previously received a mandatory grant.

B: Local Restriction Support Grants ~ Lockdown 4th November – 2nd December 2020

The work of the Internal Audit Team continued throughout quarter three in light of government guidance on further national lockdowns and tier restrictions on those businesses mandated to close during specific time periods. During this quarter, additional post assurance testing has been completed by the Internal Audit team to cover Local Restrictions Support Grants for the lockdown period of 4th November to 2nd December 2020 to ensure that: -

- The business was operating and open to the public up to and including 4th November 2020, and mandated to close from that date, with validation that the grant sum paid was in accordance with the rateable value of the business with independent validation of the business bank account and checks that no duplicate payments had been made.

C: Tier Restrictions ~2nd December 2020

Following the move into Tier Restrictions from 2nd December, Internal Audit completed further detailed checks on grant payments awarded to businesses from 2nd December onwards where revised tiers had been introduced. For these Local Restrictions Support Grants, the audit testing ensured that each business, although not legally required to close, but severely impacted by the local restrictions on socialising had received a grant payment in accordance with their rateable value to cover specific 14 day periods as per the criteria for this scheme.

D: Track & Trace

In addition, during this third quarter, the Internal Audit Team also completed post payment assurance payment checks in respect of the Track and Trace Payment Schemes to cover both mandatory and discretionary payments. For each payment, Internal Audit verified that each applicant had completed an application form and provided their unique 8-character Track and Trace ID. Bank details were validated by cross checking to completed application forms for each bank payment file.