

Open

# Audit Committee

## Agenda

6pm  
Wednesday, 26th May 2021  
To be held remotely



## Audit Committee

### Members of Committee:

Chairman: Councillor R H Coleman  
Vice-Chairman: Councillor P W M Young

Councillor V Caulfield

Councillor B S Dawes

Councillor N J Desmond

Councillor P Dyke

Councillor C Rogers

Councillor A Totty

### 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](mailto:sian.burford@wyreforestdc.gov.uk)

Wyre Forest District Council

Audit Committee

Wednesday, 26th May 2021

To be held remotely

Part 1

Open to the press and public

<b>Agenda item</b>	<b>Subject</b>	<b>Page Number</b>
1.	<b>Apologies for Absence</b>	
2.	<b>Appointment of Substitute Members</b>  To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	<b>Declarations of Interests by Members</b>  In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered.  Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	<b>Minutes</b>  To confirm as a correct record the Minutes of the meeting held on the 24th March 2021.	6
5.	<b>Audit Progress Report and Sector Update</b>  To receive a progress report from Grant Thornton.	9
6.	<b>External Audit Plan</b>  To receive a report from Grant Thornton detailing the proposed External Audit Plan 2020-21. <b>MEMBERS RECEIVED THIS REPORT ON THE 26<sup>th</sup> April 2021</b>	26
7.	<b>Accounting Policies and Estimates</b>  To receive a report from the Financial Services Manager on the accounting policies for use in preparing the Council's Statement of Accounts for 2020-21	50

8.	<p><b>Internal Audit Monitoring Report Quarter Ended 31st March 2021</b></p> <p>To receive a report from the Audit Manager informing members of the Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> March 2021</p>	81
9.	<p><b>CIPFA Financial Management Code</b></p> <p>To receive a report from the Corporate Director: Resources on the CIPFA financial Management Code.</p>	95
10.	<p><b>Corporate Governance Framework</b></p> <p>To receive a report from the Corporate Director: Resources to present a Position Statement on the Corporate Governance Framework.</p>	110
11.	<p><b>Internal Audit Annual Assurance Report 2020/21</b></p> <p>To receive a report from the Audit Manager informing Members of the internal audit annual assurance report for 2020/21</p>	142
12.	<p><b>Annual Governance Statement</b></p> <p>To receive a report from the Corporate Director; Resources on the draft Annual Governance Statement for 2020-21.</p>	154
13.	<p><b>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</b></p>	
14.	<p><b>Exclusion of the Press and Public</b></p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

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

**AUDIT COMMITTEE**

**HELD REMOTELY**

**24TH MARCH 2021 (6PM)**

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**Present:**

Councillors: A Totty (Chairman), P W M Young (Vice-Chairman), V Caulfield, R H Coleman, B S Dawes, P Dyke and C Rogers.

Bodrul Zzaman – Independent Person.

**Observers:**

Councillors: G W Ballinger, J Byng, A Coleman, H E Dyke, K Henderson and M Rayner attended as observers.

The Chairman welcomed Councillor Peter Dyke to the Committee and thanked Councillor Anna L'Huillier for the contribution she had made during her time on the Committee.

**AUD. 66 Apologies for Absence**

Apologies for absence were received from Councillor N J Desmond.

**AUD.67 Appointment of Substitutes**

No Substitutes were appointed.

**AUD.68 Declarations of Interests by Members**

No declarations of interest were made.

**AUD.69 Minutes**

**Agreed: The minutes of the meeting held on 20<sup>th</sup> January 2021 be confirmed as a correct record of the meeting and signed by the Chairman.**

**AUD.70 Audit Progress Report and Sector Update**

The Committee received a report from Grant Thornton (GT) giving an audit progress report and sector update. The Engagement Manager informed Members that the report summarised the progress to date and that the Audit plan would normally have already been delivered at this point in the year but national delays in the 2019/20 audit meant they were behind on their program this year. However GT had conducted a virtual visit in March to look at planning and early interim work so good progress had been made in this area and it was their intention to issue the plan in April and this would be circulated to

## **Agenda Item No. 4**

Members. No concerns had been identified so far however there were some significant parts of the audit still to be considered. A final accounts workshop had been attended by members of the finance team and there were no matters outstanding. GT were currently on course to complete the audit by the end of September which was earlier than last year but later than previous, non pandemic, years.

The Engagement Manager took Members through each section of the report in detail identifying areas that would be appearing in the plan including areas of significant risk and the changes to the value for money arrangements this year. She informed Members that no fee variations had been agreed in relation to the 2020/21 audit and answered Members questions as they arose. The Engagement Manager confirmed the overall trivial amount; the sum of £50,000 (£0.05m) was clarified following the meeting for the purpose of the minutes.

**The Audit Progress Report and Sector Update were noted by the Committee.**

### **AUD.71 Informing the Risk Assessment**

The Committee received a report from Grant Thornton (GT) on informing the risk assessment. The Engagement Manager explained the background to the report and explained the work that had been completed alongside Wyre Forest District Council (WFDC) Officers.

**The report was noted by the Committee.**

### **AUD.72 Internal Audit Position Statement as at 28<sup>th</sup> February 2021**

The Audit Manager led Members through the report on the work completed by the Audit team against the previously approved Audit plan. She explained the progress made in each area, especially the additional work caused by COVID.

**Agreed: The position as at 28<sup>th</sup> February 2021 of progress by the Internal Audit Team against the approved 2020~21 Internal Audit Plan be noted.**

### **AUD.73 Internal Audit Plan 2021-22**

The Corporate Director: Recourses introduced the report and explained to Members that this item would normally be included on the same agenda as the external audit plan, which had been delayed this year. She discussed the recommendations with Members and then identified key points of the report. These included the need to focus on areas that most add value and provide reassurance such as good governance and ensuring the Council is properly managed. The Corporate Director: Resources informed Members of the risks currently being considered such as COVID and remote working.

The Audit Manager led Members through each page of the report explaining key areas in more detail and answering Member questions. Councillor Rogers led Members in offering thanks to the Audit team on getting the plan to Members. The Audit Manager described the make up of the Audit team, the experience held by Officers and the flexibility of the team in being able to adapt

working patterns to workload demands.

Members and Officers discussed debt recovery, the procedures in place and the impact that the pandemic had on this area. The Corporate Director: Resources informed Members that this area had not caused as many issues as anticipated but would be considering reporting in more detail to future Audit Committees.

**Agreed: The Audit Committee:**

**2.1 Considered and approved the Internal Audit – Annual Audit Plan 2021~22, attached as Appendix 1 of the report.**

**2.2 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 this report.**

**AUD.74 Annual Governance Statement Action Plan 2019-20**

The Corporate Director: Resources delivered a report on the Annual Governance Statement Acton Plan for 2019-20. She explained that this was an important report and went through each section in detail to enable Members to monitor the actions arising from the review of governance arrangements.

Progress made against objectives was discussed including significant financial challenges, COVID recovery management, the property portfolio, partnership & engagement and ICT resilience. The Corporate Director: Resources answered Members questions on each of the areas discussed.

**The Audit Committee approved the progress against the Annual Governance Statement Action Plan 2019/20 which was attached at Appendix 1 of the report.**

**AUD.75 Risk Management – Corporate Risk Register**

The Committee received a report on the Corporate Risk Register. The Corporate Director: Resources took Members through each page of the report explaining each risk in detail and answering questions from Members to offer clarification. She explained the importance of the responsible person taking responsibility for their areas. The Register had been approved by the Corporate Leadership Team.

The Committee expressed their thanks to the Corporate Director: Resources, her team and all Officers for the work that had been done to deal with current risks in the difficult time.

**The Audit Committee CONSIDERED AND NOTED the Corporate Risk Register and the associated mitigating actions as at 31st January 2021 and the 2021-24 Budget Risk Matrix.**

There being no further business the meeting ended at 7:19pm.

# Wyre Forest District Council Audit Progress Report and Sector Update

Year ending 31 March 2021

13 May 2021



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

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# Introduction

## Your key Grant Thornton team members are:

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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](http://www.grantthornton.co.uk).

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

# Progress at March 2021

## Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in January 2021, and our interim audit in February and March. We expect to begin our work on your draft financial statements in July.

Our interim fieldwork included:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

The results of our work to date are included in this report.

In April we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 September 2021.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. 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, if required.

The new approach is more complex, more involved and will make more impact. Before beginning work, we will discuss with you:

- Timing
- Resourcing
- Fees

Please see page 10 for further details.

# Progress at March 2021 (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim was completed on 26 January 2021. The certification work for the 2020/21 claim has not yet begun.

### Meetings

We meet regularly with Finance Officers as part of our periodic liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with CLT in February to discuss current issues facing the Council and provided an update on matters from our work nationally.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to be enhanced. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee. More details are set out in our 2020/21 Audit Plan included as a separate item on this Audit Committee's agenda.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements. The plan was circulated to members of the committee in April and is formally presented to this May Audit Committee.</p>	April 2021	Complete
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	July 2021	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the September Audit Committee.</p>	September 2021	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements.</p>	September 2021	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work. NAO has agreed that there may be an extension to the deadline of three months.</p>	September 2021 target	Not yet due

# Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Internal audit</b>	We have also reviewed internal audit's work on the Authority's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements.
<b>Review of information technology controls</b>	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements.

	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Authority’s controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements. This work has covered pensions and valuations as these are the areas we have assessed to be significant risks. We have yet to complete the year end element of the walkthroughs.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Authority in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Authority’s journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.</p>	<p>We will complete our risk assessment and undertake detailed journals testing as part of our year-end procedures.</p>
<b>Early substantive testing</b>	<p>Payroll – we have started the analytical review and will complete this at the year-end.</p> <p>Property Plant and Equipment - the Council has new valuer this year. We wrote to the valuer in March to confirm his qualifications and experience, and are awaiting a response.</p> <p>COVID related grants have been received by the Council and these may be accounted for in a number of ways. We have provided guidance to the Council on this but have not yet reviewed the Council’s own assessment of the accounting for these material grants.</p>	<p>No significant matters from the work undertaken to date.</p>

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

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

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# The new approach to Value for Money

## The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in ‘AGN 03 Auditors’ work on VFM arrangements’, which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

## Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

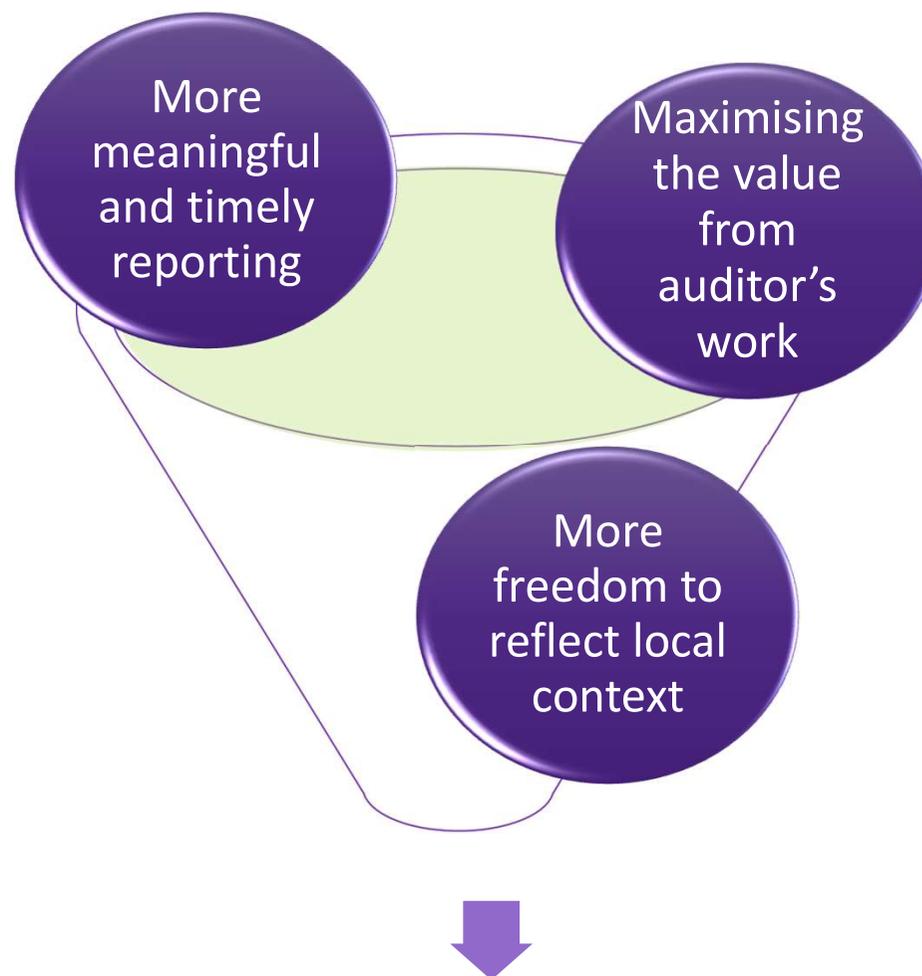
- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

# The new approach to Value for Money

## Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



**VFM arrangements commentary and recommendations**

# Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



# Local government finance in the pandemic – National Audit Office

The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

# Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

# 2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.

This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>



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# Wyre Forest District Council audit plan

**Year ending 31 March 2021**

Wyre Forest District Council  
April 2021



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

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# Key matters

## Factors

### Council developments

The Council continues to operate in an uncertain and challenging environment due to changes to Government funding and the global pandemic. The Council continues to balance service delivery with the need to drive efficiencies.

Financially the Council is forecasting a small underspend for 2020/21 and has set a balanced budget for 2021/22.

Whilst the Council's Medium Term Financial Strategy sets out a significant challenge, the Council is transparently reporting both the revenue and capital funding challenge to enable informed decision making.

### Impact of COVID-19 pandemic

The current lockdown restrictions mean that we will have to continue to work completely remotely for a longer period and potentially through much of the audit for 2020-21. Working in cooperation with the Council, we managed this effectively for the 2019-20 audit and we will be in regular contact with your finance team in respect of the logistics of these arrangements for our 2020-21 programme of audit work. We aim to build on our experience from last year. As restrictions ease we will consider the implications for how this impacts on how we complete the audit.

### Financial Reporting and Audit – raising the bars

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing. Our work in 2019/20 has highlighted areas where Local Government financial reporting, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of financial transactions in the Local Government sector which require greater audit scrutiny.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in this Audit Plan, has been agreed with the Section 151 Officer.
- As previously reported the Code has changed in relation to VFM. We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work – please see more detail on pages 15 and 16.
- The Council's valuer reported a material uncertainty in regards to the valuation of land and buildings in 2019/20 due to the COVID-19 pandemic. Early indications are that we do not expect a similar uncertainty to be reported in 2020/21. We do, however, continue to identify a significant risk in regards to the valuation of these assets– refer to page 6 – this is due to the inherent high degree of estimation uncertainty.
- We also continue to identify a significant risk in regards to the valuation of the pension fund liability – refer to page 7 – this is due to the inherent high degree of estimation uncertainty.
- We will continue to provide you with sector updates via our Audit Committee updates.

# Introduction and headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

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

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

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

## Significant risks

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

- Management override of controls
- Property, Plant and Equipment (PPE): Valuation of land and buildings (new valuer for 2020/21).
- Valuation of pension fund net liability

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

## Materiality

We have determined planning materiality to be £1m (PY £1m) for the Council, which equates to 1.9% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.05m (PY £0.05m).

## Value for Money arrangements

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

- Financial Sustainability - Whilst the Council is forecasting delivery of a small surplus for 2020/21, (as at quarter 3 projections) there remains a financial challenge over the medium term in relation to revenue funding. Due to the inherent uncertainty, we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.

## Audit logistics

Our interim visit took place in March and our final visit will take place from July to September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our proposed audit fee for the audit has been set at £60,181. The scale fee, set by PSAA, is £37,681, however this does not reflect the additional work now required due to the changes in expectations of the regulator or the additional work required on the VFM conclusion as a result of the new Code issued by the NAO. The fee for 2019-20 was £53,181 for the Council (subject to PSAA approval). The fee for the current year, as in previous years, is subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Wyre Forest District Council mean that all forms of fraud are seen as unacceptable.</li> </ul>	No specific work is planned as the presumed risk has been rebutted.
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Wyre Forest District Council because:</p> <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Council has a strong control environment; and</li> <li>• the Council has clear and transparent reporting of its financial plans and financial position to the Council.</li> </ul> <p>We therefore do not consider this to be a significant risk for Wyre Forest District Council.</p>	No specific work is planned as the presumed risk has been rebutted.

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<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.</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>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of land and buildings	<p>The Council revalue its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£58 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will 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>In 2020/21, following a tender process, a new valuer has been appointed for the Council. We understand that the Council has requested a 100% valuation exercise to be undertaken this year with a valuation date as 31 March 2021.</p> <p>In the prior year the valuer issued a material uncertainty limitation to the valuation of PPE due to uncertainty of the impact of COVID-19. Valuations of property, particularly where income and rentals are considerations in the valuation may well be adversely impacted this year.</p> <p>We have 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, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenge 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;</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register; and</li> <li>• evaluate the assumptions made by the valuer for those assets revalued at 31 March 2021. For any assets not formally revalued in year we will assess how management has satisfied themselves that these assets are not materially different to the current value at the year end.</li> </ul>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<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 (£61.5m) 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.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update 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 evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test 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;</li> <li>• undertake 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</li> <li>• obtain assurances from the auditor of the Worcestershire County Council 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.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following accounting estimates which are material or contain significant judgements that could result in a misstatement:

- Valuations of land and buildings,
- Fair value of loans and investments,
- Year end provisions and accruals- including business rates appeals, and
- Valuation of defined benefit net pension fund liabilities.

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management and the responses will be shared with Those Charged with Governance alongside this Audit Plan.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

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

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report.

# Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the Council's financial statements, which resulted in [X] recommendations being reported in our 2019/20 Audit Findings Report

## Issue and risk previously communicated

## Management update on actions taken to address the issue

VFM – We note that the Council has once more underspent against its original budget. The council has increased its level of reserves and balanced and this will provide a buffer, particularly with the likely impact of COVID-19 on the council finances. Prudent but realistic budget setting is increasingly important as the Council approaches a period of particular economic uncertainty. Scope exists to ensure that budgets are challenging and realistic rather than prudent

The 2021-24 Financial strategy process has been particularly challenging given the extra costs and decreased income as a result of the COVID pandemic. The Council has undertaken additional monitoring to capture these costs and have submitted all data collection requests on MHCLG's Delta platform. This has fed into the budget process where service managers worked with accountants and were encouraged to reduce budgets wherever possible, however, there were also many costs pressures. This is evidenced in Appendix 3 of the MTFS report which shows the detail in relation to budget variances see

[http://www.wyreforest.gov.uk/council/docs/doc56260\\_20201222\\_cabinet\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc56260_20201222_cabinet_agenda.pdf).

There has also been extra work to review and challenge business rates and council tax income this year, again impacted by the pandemic. Extra specialist consultancy was commissioned from LG Futures to support the decision to enter into the 2021-22 Business Rate Pool and also around the approach to final accounts decisions in relation to appeals/provisions for bad debts see

[http://www.wyreforest.gov.uk/council/docs/doc56115\\_20201023\\_cabinet\\_decisions\\_report.pdf](http://www.wyreforest.gov.uk/council/docs/doc56115_20201023_cabinet_decisions_report.pdf)

The monthly MHCLG Delta returns include estimates of collection fund income but the rescheduling of monthly payments into later months for council tax and deferment of business rate payments by some businesses mean these forecasts are difficult and heavily caveated.

VFM -- We are satisfied that the Council has appropriate arrangements in place to manage its capital acquisitions. The majority of the Council's Capital portfolio fund of £26.5m has now been fully committed and thus our expectation is that there will be no further investment of this type.

The Council needs to ensure it continues to assess the performance and value for money of these assets

There have been no further Capital Portfolio property acquisitions in 2020-21. Officers have maintained a watching brief on the impact of the pandemic on the property market and also on the impact on their current Capital Portfolio properties. The Budget Monitoring reports, MTFS and Overview and Scrutiny Property Portfolio Reports have all included updates on the performance of the properties held and the ongoing impact of COVID -19.

Following the report of the PAC and subsequent changes to PWLB borrowing conditions a report was taken to November Cabinet to restrict the geographic area for further Capital Portfolio purchases to within district until further notice see [http://www.wyreforest.gov.uk/council/docs/doc56166\\_20201110\\_cabinet\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc56166_20201110_cabinet_agenda.pdf).

[item 7.2]. Additional provision for bad debts has been included in the MTFS for arrears arising as a result of lockdown, in particular for the Food and Beverage units at Riverside owned by the Council. This has been reported to members several times and discussed at Overview and Scrutiny where our Asset Managers Jones Valerio attend to provide additional specialist information.

# Progress against prior year audit recommendations (continued)

## Issue and risk previously communicated

Budgetary control- the Council habitually underspends significantly against its agreed budget. With increasing budgetary pressures and uncertainty going forward it is crucial that decision makers have reliable and timely financial information.

PPE- the council is changing the valuer in 2020/21. Property Plant and Equipment valuations is a significant estimate in the accounts. The current valuer has built up his understanding of the asset base over a number of years and it is likely that the new valuer may make alternative judgements over the basis of valuations. It is important that management has a good understanding of valuations and has appropriately challenged any new assumptions which has had an impact on 20/21 valuations.

## Management update on actions taken to address the issue

Cabinet/CLT have continued to receive monthly budgetary control reports throughout 2020-21 and the Quarterly Budget Monitoring reports to Cabinet have been supplemented by extra reports on 20th May and 7th July to provide early information on the forecast impact of COVID-19 on the budget. A major like for like upgrade to the Council's Unit4/Agresso Financial Management system was successfully completed in September. As part of the ongoing contract with Unit 4 the Council has purchased the Budget Planner module and will look to implement this during 2021-22 to refine and improve the in-year reporting. The Quarter 3 Budget Monitoring report is being reported to the March Cabinet meeting and forecasts a modest underspend of £175k see [http://www.wyreforest.gov.uk/council/docs/doc56487\\_20210323\\_cabinet\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc56487_20210323_cabinet_agenda.pdf)

This is caveated since due to the significantly increased uncertainty as a result of the pandemic this year that could mean final account provisions and final outturn could change as part of the closedown process.

Avison Young were awarded the contract for valuation services (3+2 years commencing September (TBC) 2020). Extensive discussions have already taken place with the new valuer to provide additional context to the service requirement as set out in the contract specification. On receipt of early valuations for the initially agreed 20% of the Asset Portfolio it is apparent that as expected, extra dialogue and challenge is required due to the change in valuer and this is already actively taking place. Key points will be documented in final accounts working papers. This is exacerbated by the ongoing uncertainty as a result of the COVID-19 pandemic.

Subsequent to the award of the contract it has been decided to have the whole of the estate valued in order to meet more stringent auditing standards around estimation methods/uncertainty IAS (UK) 540; due to the impact of Covid-19 pandemic on property values particularly and also due to the change in valuer. This extra work has been commissioned.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1m (PY £1m) for the Council, which equates to 1.9% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £13,000 (1.9% of 2019/20 senior officer remuneration note).

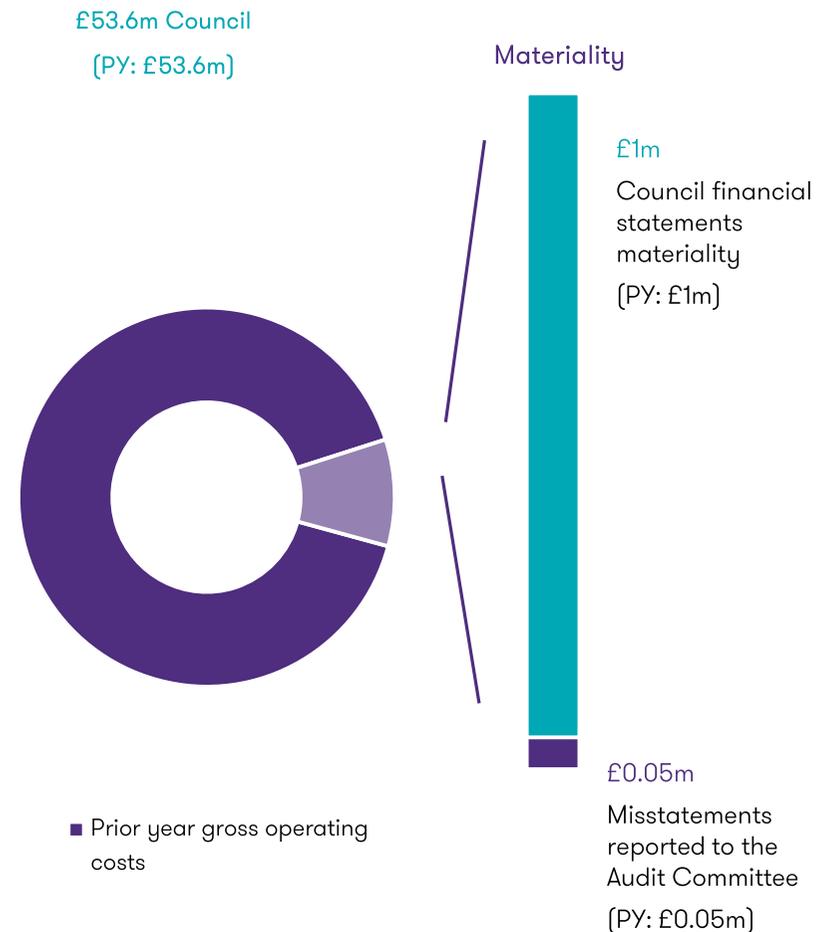
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.05m (PY £0.05m).

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

## Prior year gross operating costs



# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Risks of significant weakness

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



### Financial Sustainability

The Council is forecasting an underspend of £0.175m for 2020/21; whilst general fund balances are anticipated to remain unchanged at 31 March 2021, earmarked reserves are forecast to reduce from £8.175m to £5.898m. Whilst the Council has a healthy level of reserves and a strong history of delivering financial targets and savings, the financial challenge and uncertainty continue to increase. The Council has also been adversely impacted by the pandemic in its commercial rents and this has become an increasingly important source of income for the Council. The budget approved for 2020-21 included Wyre Forest Forward budget reduction proposals totalling £2.889m gross, all of which are anticipated to be achieved by the year end. Looking forward, there continues to be financial challenges and a need to deliver further savings, some of which have yet to be identified particularly during 2023-24.

Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability in the medium term.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

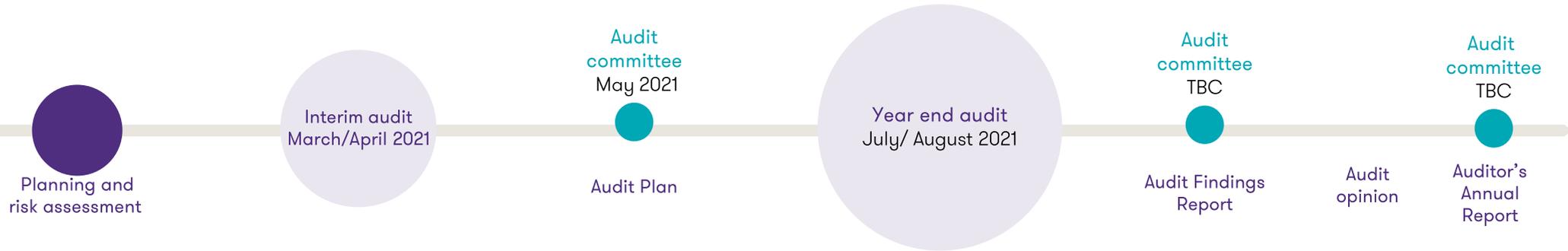
The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team



Planning and risk assessment

Interim audit  
March/April 2021

Audit committee  
May 2021

Audit Plan

Year end audit  
July/ August 2021

Audit committee  
TBC

Audit Findings Report

Audit opinion

Audit committee  
TBC

Auditor's Annual Report



Peter Barber, Key Audit Partner

Peter's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Zoe Thomas, Engagement Manager

Zoe plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues arising



Denise Mills, Engagement In-charge

Denise's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently, and is also involved in supervising and co-ordinating the audit team.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

# Audit fees

PSAA awarded a contract of audit for Wyre Forest District Council to begin with effect from 2018/19. The fee agreed in the contract was £37,681. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 14, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. This will result in an increased fee however the scale of that increase has yet to be finally determined.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21 to date, as set out below, is detailed overleaf. Our final fees for 2020/21 are currently being reviewed and we will provide separate communications to management and the Audit Committee once confirmed.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Wyre Forest District Council Audit	£42,181	*£53,181	£60,181
Total audit fees (excluding VAT)	£42,181	£53,181	£60,181

\* Subject to approval by PSAA

## Assumptions

In setting the fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA	£37,681
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£2,500
Enhanced audit procedures for Property, Plant and Equipment	£1,750
Enhanced audit procedures for Pension Liabilities (IAS19)	£1,750
materiality	£1,000
Brought forward ongoing fee from 2019/20	£44,681
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISA 540	£3,500
Increased audit requirements of revised ISA240/700	£3,000
Specific local risks: capital portfolio valuation/ new valuer (absorbed into the fee)	£0
<b>Total proposed audit fees 2020/21 (excluding VAT)</b>	<b>£60,181</b>

All variations to the scale fee will need to be approved by PSAA

# Independence and non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

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

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits	12,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,000 in comparison to the total fee for the audit of £60,181 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related	-	-	-
Total	12,000		

# Appendix 1: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE REPORT**

**26<sup>th</sup> May 2021**

**REPORT ON ACCOUNTING POLICIES AND ESTIMATES**

<b>OPEN ITEM</b>	
<b>Cabinet Member</b>	<b>Councillor Mary Rayner</b> Cabinet Member for Finance and Capital Portfolio
<b>DIRECTOR:</b>	<b>Corporate Director: Resources</b>
<b>CONTACT OFFICER:</b>	<b>Tracey Southall Ext. 2100</b> <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a> <b>Helen Ogram Ext 20907</b> <a href="mailto:Helen.ogram@wyreforestdc.gov.uk">Helen.ogram@wyreforestdc.gov.uk</a> <b>Lisa Hutchinson Ext 2120</b> <a href="mailto:Lisa.hutchinson@wyreforestdc.gov.uk">Lisa.hutchinson@wyreforestdc.gov.uk</a>
<b>APPENDIX 1</b>	<b>Appendix 1 - Accounting Policies</b> <b>Appendix 2 - Informing the Risk Assessment - Accounting Estimates</b> <b>Appendix 3 - Accounting Estimates – Management Summary</b>

**1. PURPOSE OF REPORT**

1.1 The purpose of the report is to:

- i) present the Accounting Policies for use in preparing the Council's Statement of Accounts for 2020-21 for approval.
- ii) review the accounting estimates and assumptions relied upon in the preparation of the statutory accounts.
- iii) To detail the main characteristics of the methods and models used to make the accounting estimates and the risks related to them.

**2. RECOMMENDATIONS**

2.1 The Audit Committee are asked to:

- i) approve the Accounting Policies to be used in preparing the Council's 2020-21 Statement of Accounts;
- ii) to note the management arrangements to identify and evaluate accounting estimates.

**3. BACKGROUND**

- 3.1 The Council's Annual Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Local Authority Accounting in the UK (the 'Code') which is based on International Reporting Standards (IFRS's). This means the Council's accounts are presented in a format which should make comparison with the accounts of other local authorities and other organisations generally as easy as possible. This report presents the accounting policies that will be used in the preparation of the 2020-21 Statement of Accounts and summarises the changes from 2019-20 that have been introduced as a result of amendments to the Code of Practice or as part of the Council's annual review process.
- 3.2 The preparation of financial statements requires management to make judgements, estimates and assumptions which affect the value of assets and liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year. There is a requirement to disclose the critical judgements and accounting estimates made by management when producing the Statement of Accounts. Where estimates have high estimation uncertainty, or require significant judgement it is important that management arrangements and risk are highlighted and guidance provided.

**4. KEY ISSUES**

**4.1 Accounting Policies**

- 4.1.1 The Council's accounting policies are the specific principles, conventions, rules and practices that are applied by the Council in the production and presentation of the annual financial statements.
- 4.1.2 The Accounting Policies to be used are disclosed as a note to the annual accounts. The proposed Accounting Policies for in preparing the 2020-21 Statement of Accounts are attached as Appendix 1 to this report. The policies are in line with the Code for 2020-21 and changes are made annually to reflect amendments to the code. The only changes to the Code this year relate to clarifications only. Following a review there are no changes proposed to the Council's accounting policies for 2020/21, although some minor changes to wording has been made to provide additional clarity. Any amendments that are necessary to reflect any matters that come to light during final preparation of the financial statements will be brought to the attention of the Committee at subsequent meetings. These Accounting Policies have been shared with the Council's External Auditors who will review them in full during the audit of the Statement of Accounts in June 2021.

- 4.1.3 Due to the impact of COVID-19, the effective date for the implementation of IFRS16, the new leasing standard, has been deferred once more to 1<sup>st</sup> April 2022. International Financial Reporting Standards (IFRS) 16 Leasing was to have been introduced for, Local Government from 1 April 2020. However, due to COVID-19 and the additional pressure local authorities and auditing bodies are facing, the Financial Reporting Advisory Board (FRAB) deferred implementation.
- 4.1.4 Under the new standard, which replaces IAS17, leases will no longer be classified as finance or operating leases and all leases will be recognised on balance sheet with the exception of short-term leases (leases of 12 months or less) and low value assets (where the right of use asset is less than £10,000).

## 4.2 ACCOUNTING ESTIMATES

- 4.2.1 The preparation of financial statements requires management to make judgements, estimates and assumptions which affect the value of assets and liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year.
- 4.2.2 The material accounting estimates which affect balances and transactions in the financial statements for the year ending 31 March 2021 have been identified by management as:
- Valuation of land and buildings, depreciation and impairment
  - Measurement of financial instruments
  - Valuation of defined benefit net pension fund liabilities
  - Business rates appeals estimate
- 4.2.3 Our assessment of material accounting estimates is made taking into account historical experience, current trends and other relevant factors and includes consideration of the requirement for specialised skills and knowledge from experts. Consideration includes a review of methods, models and assumptions used to inform the accounting estimate and consideration of the degree of estimation uncertainty relevant to each accounting estimate. However, because some balances cannot be determined with certainty, actual results could be different from the assumptions and estimates
- 4.2.4 The notes to the 2020-21 financial statements will disclose the material accounting estimates included in our balances and transactions together with details of the models and assumptions on which they are based. Where a risk of material uncertainty has been identified, the notes will include additional information to disclose the sensitivity of values to the assumptions and uncertainties and the range of reasonably expected outcomes relevant to the balance or transaction.

4.2.5 Management's assessment of material accounting estimates in 2020-21 is included at Appendix 2 and Appendix 3 to this report.

**5. FINANCIAL IMPLICATIONS**

5.1 The appropriate adoption of accounting policies and application of critical judgements ensures that information within the accounts is relevant and reliable.

**6. LEGAL AND POLICY IMPLICATIONS**

6.1 None.

**7. RISK MANAGEMENT**

7.1 The financial health of the Authority as demonstrated within its Statement of Accounts will be used to inform the Council's overall financial risk assessment and the Council's reserve strategy. The accounting policies, critical judgements and assumptions made about the future and other major sources of estimation uncertainty are key to the presentation and understanding of the Council's financial health. The principal risk to the Council is a material misstatement due to inappropriate judgements and estimation techniques. Officers continue to work in close liaison with Grant Thornton to respond to queries or additional evidence requests to mitigate the risk of material misstatement.

**8. EQUALITY IMPACT ASSESSMENT**

8.1 Accounting policies and critical accounting judgements underpin the preparation of the annual statement of accounts. The reporting of income and expenditure is prescribed by regulation and the CIPFA Code. This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

**9. CONCLUSION**

9.1 This report details key information on Accounting Policies and Estimates to be applied for the closure of the 2020-21 Final Accounts.

**10. CONSULTEES**

10.1 CLT

10.2 Grant Thornton – External Auditors

**11. BACKGROUND PAPERS**

Appendix 1 Accounting Policies

Appendix 2 Informing the Risk Assessment – Accounting Estimates

Appendix 3 Accounting Estimates – Management Summary

Accounts and Audit Regulations 2015

Accounts and Audit (Coronavirus)(Amendment) Regulations 2020

**Agenda Item No. 7 – Appendix 1**

**STATEMENT OF ACCOUNTING POLICIES**

**1. General Principles**

- 1.1 The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at 31<sup>st</sup> March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations; those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code) supported by International Financial Reporting Standards (IFRS).
- 1.2 The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
- 1.3 The Accounts have been drawn up under the going concern concept; i.e. it is assumed that the services of the Council will continue to operate for the foreseeable future. Local Authorities cannot be created or dissolved without statutory prescription. The provisions of the CIPFA Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on this basis.

**2. Accruals of Income and Expenditure**

- 2.1 All revenue and capital expenditure is accounted for on an accruals basis in accordance with the Code and International Accounting Standard (IAS) 1; that is, sums due to or from the Council during the year are recorded, irrespective of whether the cash has actually been received or paid during the year. In particular:
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
  - Supplies and services are recorded as expenditure when they are consumed (when supplies are held for future use they are carried as inventories on the Balance Sheet).
  - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
  - Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
  - Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**3. Cash and Cash Equivalents**

- 3.1 Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
- 3.2 In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

**4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

- 4.1 Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
- 4.2 Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

**5 Charges to Revenue for Non-Current Assets**

- 5.1 Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:
- depreciation attributable to the assets used by the relevant service
  - revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
  - amortisation of intangible assets attributable to the service.
- 5.2 The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**6 Employee Benefits**

**6.1 Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end that employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus and Deficit on the Provision of Service, but then reversed out through the Movement in Reserve Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

**6.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service or, where appropriate, to a corporate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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Redundancy payments are based upon an employee's actual week's pay and the number of weeks as defined in the Employment Relations Act 1998, up to a maximum of 30 weeks pay.

### 6.3 Post Employment Benefits

The Council participates in one defined benefit scheme for its employees (retirement lump sums and pensions), earned as employees work for the Council, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified Actuary (Mercer Limited).

### 6.4 The Local Government Pension Scheme

The liabilities of the Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about life expectancy, employee turnover rates, etc, and projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 2.4% based on the indicative rate of return on high quality corporate bond.

The assets of Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pension liability is analysed into the following components:

- **Service cost comprising:**

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability - i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- **Remeasurements comprising:**

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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- **Contributions paid to the Worcestershire County Council pension fund:**
  - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further information in respect of the Pension Fund Accounts can be found in Worcestershire County Council's Superannuation Fund Annual Report available on request from:

Worcestershire County Council,  
County Hall,  
Spetchley Road,  
Worcester,  
WR5 2NP

<http://www.worcestershire.gov.uk/pensions>

### 7. **Events After the Reporting Period**

7.1 Events after the balance sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue, detailed in Note 39, are not reflected in the Statement of Accounts.

### 8. **Financial Instruments**

#### 8.1 **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

The amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

## **8.2 Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council currently only holds financial assets at amortised cost.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

## **8.3 Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest). Interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **8.4 Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Where the risk of default is not material an adjustment to the accounts will not be made.

## **9. Government Grants and Contributions**

9.1 Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

9.2 Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grants or contributions have been

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satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

- 9.3 Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
- 9.4 Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **10 Heritage Assets**

- 10.1 Heritage assets are held in support of the Council's primary objective of increasing the knowledge, understanding and appreciation of the social and industrial history of the Wyre Forest area. They currently consist of the Richard Eve Memorial, art collection and those exhibits that are held in the Bewdley Museum and in other Council Buildings.
- 10.2 Heritage assets have indeterminate useful economic lives and high residual values and, therefore, it is not considered appropriate to charge depreciation. They have been measured in the Balance Sheet at their insurance valuations, based on market values and are updated every two years unless, in the interim, evidence from the various trade press or auctions etc indicates a significant variation in prices of similar assets. The accounting treatment of revaluation gains & losses are in accordance with those for property, plant & equipment.
- 10.3 The Balance Sheet carrying values of all heritage assets are reviewed at the end of the year where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (Note 1.17).
- 10.4 Purchases and acquisitions e.g. by donations are rare, but when they do occur purchases will be initially recognised at cost and acquisitions e.g. by donations will be initially recognised at valuations ascertained by either the museum's curators, with reference to the appropriate commercial markets, or by an external valuer.
- 10.5 The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. Transfers to partners/appropriate third parties such as Town Councils under Localism principles may also be agreed. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Any disposal proceeds will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (Note 1.17).
- 10.6 The Council applies a de minimis level of £10,000 for assets included in the Balance Sheet. However, there are many de minimis Heritage Assets that, when aggregated, exceed this level. Therefore, all Heritage Assets have been aggregated into the categories stated above and included in the Balance Sheet.

**11 Intangible Assets**

- 11.1 Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.
- 11.2 Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
- 11.3 Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**12 Interests in Companies and Other Entities**

- 12.1 Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities will be recorded as investments, i.e. at cost, less any provision for losses. The Council has interests in companies, but no material business was transacted in 2020-21.

**13 Inventories and Long Term Contracts**

- 13.1 Inventories are included in the Balance Sheet at the lower of cost and net realisable value.
- 13.2 Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

**14 Joint Operations**

- 14.1 The Council is a partner in the Worcestershire Regulatory Services (WRS) shared service, which discharges various of the council's statutory functions relating to Environmental Health and Licensing via a Joint Committee constituted under the relevant provisions of the Local Government Act 1972, together with Bromsgrove District Council (the host), Redditch Borough Council, Malvern Hills District Council, Worcester City Council and Wychavon District Council. All partners have rights to the assets and obligations for the liabilities relating to this shared arrangement and each participant accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows. The shared service undertakes work for a range of other local authorities and third parties including a contractual arrangement with Worcestershire County Council for the provision of management and support services for its Trading Standards and Animal Health team that was formerly part of the partnership arrangement.
- 14.2 This Council hosts the shared service agreements with Redditch Borough Council and Bromsgrove District Council for North Worcestershire Economic Development and

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Regeneration, North Worcestershire Water Management and North Worcestershire Civil Contingencies and Resilience.

- 14.3 The Council also partners with Bromsgrove District Council who host Building Control, Redditch Borough Council as host authority for payroll services and Wychavon District Council who provide a car park administration service for penalty charge notices.

### **15 Leases**

- 15.1 Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Council has not identified any finance leases.
- 15.2 Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
- 15.3 Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **15.4 The Authority as Lessee**

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **15.5 The Authority as Lessor**

#### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Council has not identified any material operating leases.

### **16 Overheads and Support Services**

- 16.1 The costs of overheads and support services are charged to services in accordance with the Council's arrangements for accountability and financial performance.

### **17 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

## **17.1 Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

## **17.2 Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- where applicable, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate. In some circumstances it may be necessary for specialist valuations to be combined with an accounting estimate where there is sufficient local knowledge to justify such treatment.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Assets with a valuation in excess of £1m will be revalued annually from 2019-20 onwards. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **17.3 Impairment**

Assets are assessed at each year-end by the Council's Valuer to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **17.4 Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g., freehold land and certain Community Assets) and assets that are not yet available for use (e.g., assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer
- no depreciation is charged in the year of acquisition
- a full year's depreciation will be charged on assets revalued in year (where applicable) to ensure that the service retains a consistent charge for the consumption of the asset, in accordance with the principal of total cost as defined in the CIPFA Service Reporting Code of Practice for Local Authorities (2019-20 Edition).

Where an item of Property, Plant and Equipment, valued in excess of £1million, has major components whose cost is 20% in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost.

### **17.5 Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent

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decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **17.6 Surplus Assets**

Assets that have been declared 'surplus' but are being held pending an improvement in market conditions are classified as surplus assets but continue to be held within Property, Plant and Equipment.

### **18 Investment Property**

- 18.1 Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to provide services by the Council or is held for sale. Any investment properties acquired would be held by the Council's Local Authority Trading Company (LATC) or such other arms length legal entity.
- 18.2 Investment Properties are initially measured at cost. After initial recognition they are measured at fair value - highest and best use. The fair value reflects market conditions at the balance sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.
- 18.4 Investment Properties are not depreciated but are revalued annually according to market conditions at year end.
- 18.5 An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

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- 18.6 Revaluation and disposal gains and losses are reversed in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds over £10,000 to the Capital Receipts Reserve.
- 18.7 Rentals received in relation to investment properties are credited to the Financing and Investment income line in the Comprehensive Income and Expenditure Statement.

### **19 Fair Value Measurement of Non-Financial Assets**

- 19.1 The Council's accounting policy for fair value measurement of financial assets is set out in note 1.8. The Council also measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:
- a) in the principal market for the asset, or
  - b) in the absence of a principal market, in the most advantageous market for the asset.
- 19.2 The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.
- 19.3 When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
- 19.4 The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
- 19.5 Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:
- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
  - Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
  - Level 3 – unobservable inputs for the asset.

### **20 Provisions**

- 20.1 Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.
- 20.2 Provisions are charged as an expense to the appropriate service in the Comprehensive Income and Expenditure Statement in the year that the Council has an obligation, or the Collection Fund in respect of business rates, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
- 20.3 When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

**21 Contingent Liabilities**

- 21.1 A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
- 21.2 Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 36 to the accounts.

**22 Contingent Assets**

- 22.1 A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.
- 22.2 Contingent assets are not recognised in the Balance Sheet but would be disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**23 Reserves**

- 23.1 The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.
- 23.2 Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation (including business rates), retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

**24. Revenue Expenditure funded from Capital under Statute**

- 24.1 Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**25. Value Added Tax (VAT)**

- 25.1 VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**26. Interest and Investment Income**

- 26.1 Investments of surplus resources are carried out in accordance with regulations. Interest is credited to the General Fund based on the actual interest earned on investments during the year. Funds are managed in accordance with the Council's Treasury Management Service Strategy.

**27. Borrowing**

In accordance with the Capital and Treasury Management Service Strategies the Council has made use of the prudential borrowing regime. Several schemes contained within the capital programme are being financed through prudential borrowing, the result being that the Capital Financing Requirement (CFR) will increase. The Council entered into further external borrowing against the CFR in 2020-21. A statutory minimum revenue provision (MRP) is being made, based on the writing down period of the assets. The CFR is kept under review with the possibility of further external borrowing available if required.

**27.1 Minimum Revenue Provision**

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments if required at the discretion of the Chief Financial Officer (Voluntary Revenue Provision - VRP). Further details can be found in the Treasury Management Strategy 2020-21.

The Ministry of Housing, Communities and Local Government (MHCLG) Regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. The Council approved MRP Policy Statement for 2020-21 is summarised below and includes the option of using the annuity method to calculate MRP under the Asset Life Method:

- For outstanding debt liability incurred prior to the new guidance – i.e. pre 2008-09 then MRP is calculated based on the previous 4% reducing balance method;
- From 1<sup>st</sup> April 2008 for all unsupported borrowing the MRP will be:

**Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive).

There are two ways of calculating MRP under the Asset Life Method:-

- i. **the equal instalment method** allows the use of a simple formula to generate a series of equal annual amounts over the estimated life of the asset.
- ii. **the annuity method** makes provision for an annual charge to the General Fund which takes account of the time value of money (e.g. whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The schedule of charges produced by the annuity method results in a consistent charge to revenue over an asset's life, taking into account the real value of the annual charges when they fall due. The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset's life and accelerate towards the latter years). This is commensurate with a prudent provision matching debt repayment to the period which the capital expenditure provides benefit. This method is most appropriate for use in circumstances where the initial investment is recouped from rental yields that are subject to cyclical, upwards only reviews. It is also appropriate in connection with projects promoting regeneration or administrative efficiencies or other schemes where revenues will increase over time.

The Chief Finance Officer (Section 151 Officer) will determine whether an annuity or equal instalment method is utilised to ensure that a prudent and financially beneficial method is adopted.

**28. Council Tax and Non-Domestic Rates (NDR)**

28.1 Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax

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and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of NDR collected could be less or more than predicted. Similarly, the billing authorities and major preceptors share proportionately the risks and rewards of the council tax predictions.

### **Accounting for Council Tax and NDR**

- 28.2 The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- 28.3 The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.
- 28.4 Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### **29. Business Improvement District**

- 29.1 A business improvement district (BID) scheme for Kidderminster was approved on 17<sup>th</sup> May 2019; to commence with effect from 1<sup>st</sup> April 2020. The scheme will be funded by a BID levy paid by non-domestic ratepayers. The authority acts as agent under the scheme, collecting the BID levy income on behalf of the BID body and therefore most BID transactions would not be recognised in the Comprehensive Income and Expenditure statement. The BID levy collection costs and associated reimbursement income will be shown in the Resources Directorate outturn line.

### **30. Other Accounting Principles**

- The provision for impairment of bad debts is estimated by reference to CIPFA guidance and local knowledge.
- Officers' remuneration. It has been determined that payment for Returning Officer duties are not included, but are disclosed separately within the same note where applicable.

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Estimate	Method/model used to make the estimate	Controls used to identify estimates	Whether Management have used and expert	Underlying assumptions: Assessment of degree of uncertainty + Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	<p>Valuations are performed by a qualified external valuer in line with RICS guidance. This is usually done on the basis of 5 year valuations with interim reviews, however for this year a full inspection and valuation exercise has been commissioned to mitigate the risk of estimation uncertainty due to change in valuer and the as far as possible.</p>	<p>The specific requirements in respect of year end asset valuations are included in a schedule to the contract for valuation services and confirmed annually by the Council's Estates Surveyor through a detailed work instruction.</p> <p>Our in-house valuer produced the rolling programme. Assets were selected to ensure a comprehensive cross section of assets is covered each year with at least one asset from each asset class being included and where possible a mix of values within each class.</p> <p>The Council's Estates Surveyor, in liaison with the Principal Accountant is responsible for determining the assets to be valued following a detailed exercise to evaluate risk of material inaccuracy in respect of assets not valued.</p> <p>Assets initially selected for revaluation in 2020-21 were as per our 5-year rolling programme of asset valuations. In addition to those selected as part of a rolling programme, we revalue all assets with a value in excess of £1m annually to increase the total value of land &amp; buildings assets revalued in the year to 81% of the total b/f NBV.</p>	<p>Yes – We have appointed RICS registered firm Avison Young to undertake our asset valuations in 2020/21.</p> <p>Avison Young have replaced Bruton Knowles as the Council retained valuers this year.</p>	<p>A detailed exercise is undertaken to quantify and document our assessment of risk in respect of the assets not scheduled to be revalued in the year to determine whether there is an unacceptable risk of material misstatement of assets values.</p> <p>This assessment is performed by the Council's RICS qualified Estates Surveyor in liaison with the Principal Accountant, the Council's Capital accounting specialist, and discussed with the Council's Corporate Director: Resources and the Financial Services Manager. The assessment is informed by BICS construction data, historic movements in land values and local/sector information.</p> <p>In 2020/21 we determined that the risk relating to material accuracy of this accounting estimate was unacceptable due to the impact of COVID-19 on asset values and the change in Valuer, so extended the scope of the valuation exercise at the year end to encompass the whole of the asset base.</p> <p>We will review the valuations prepared and compare to previous valuations and current market evidence and consider the assumptions used by the valuer and robustly challenge all changes to gain assurance that the accounting estimates are robust.</p> <p>Yes, the controls in place over the valuation of our property, plant and equipment assets are considered adequate. The robustness of identified controls is assessed through discussions with valuers and challenged as noted above where increases/decreases in value are in excess of 10% based on the last formal valuation.</p>	<p>Change in expert Valuer in 2020-21. No change in valuation method</p>

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Estimated remaining useful lives	The estimated remaining useful lives of PPE assets are discussed and reviewed by our expert valuer and service/asset users	Asset lives are reviewed by the expert valuers and considered by Directorates as part of year end procedures	Yes – our appointed RICS registered Valuer reviews useful life as part of the valuation exercise	Variations to the estimated useful life of an asset will alter the amount of depreciation charged to the Comprehensive Income and Expenditure Statement. The impact of this is minimised by the annual review by the users of the asset and (where the asset is being revalued) at the formal valuation.	There are no changes to the method/models used in 2020-21.
Impairments	Assets are assessed at each year-end to determine whether there is an indication that an asset may be impaired.	Evidence of impairment is considered by the expert valuers as part of our 5-year rolling programme and by Directorates as part of year-end procedures.	Yes – for assets revalued in year.	Where indicators of impairment are identified, and the impact is deemed to be material, the recoverable amount of the asset is estimated and there less than the carrying value of the asset, an impairment loss is recognised for the shortfall.  Assumptions relied upon by our external valuers such conditions and impairments are subject to review and challenge as part of the year end discussions with the valuer/valuation team. Assumptions are disclosed in the year end valuation report.	There are no changes to the method/models used in 2020/21.
Depreciation and Amortisation	Depreciation is provided for on PPE assets over their useful lives, with major components depreciated separately. Assets without a determinable life (e.g. freehold land and certain community assets) or those not yet available for use (e.g. Assets under Construction) are not depreciated. Depreciation is calculated on a straight-line basis over the remaining useful life of the asset, as determined by our expert valuer. Newly acquired assets are depreciated from the year after acquisition unless this asset value is significant and this method results in a misstatement above trivial. Where this is the case the quarter end date will be used. Vehicles are depreciated over the life of the asset; equipment is generally depreciated over a 5 year estimated useful life; IT equipment is generally depreciated over 5 years.	Depreciation is calculated based on asset values and estimated useful lives as noted above.	Yes – for assets revalued in year.	Variations to the estimated useful life of an asset will alter the amount of depreciation charged to the Comprehensive Income and Expenditure Statement. The impact of this is minimised by the annual review by the users of the asset and (where the asset is being revalued) at the formal valuation.	There are no changes to the method/models used in 2020/21.

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<p>Pension Liability Estimate</p>	<p>The valuation of assets and liabilities in respect of defined benefit obligations are calculated by the independent firm of actuaries. Liabilities are assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels.</p>	<p>The Council's Corporate Director: Resources is the Employer Representative on the Worcestershire Pension Board (as such receives extensive training much of which is technical) which provides opportunity to scrutinise activity. Further contact with the externally appointed actuaries throughout the year is provided at scheduled meetings with the Worcestershire authorities' S151 officers. The year-end report is considered by the Corporate Director: Resources, the Financial Services Manager and the Principal accountant prior to inclusion in the financial statements.</p>	<p>Yes - The valuation of assets and liabilities in respect of defined benefit obligations are calculated by Mercer Ltd an independent firm of actuaries. Actuarial services are procured by Worcestershire County Council as pension fund administrators in line with their internal procurement guidelines and regulations.</p>	<p>The principal assumptions used by the actuary are in respect of mortality (longevity at 65 for current and future pensioners) and financial assumptions: rate of CPI inflation, rate of increase in salaries, rate of increase in pensions and rate for discounting scheme liabilities.</p> <p>The estimate is sensitive to the actuarial assumptions as noted above. A sensitivity analysis is prepared to consider the impact of changes in the assumptions and this is disclosed in the note to the accounts. The S151 officer sits on the pensions board. The actuaries are invited to meet with board members to explain and justify the estimates and assumptions used. The Board provide rigorous challenge to assumptions to ensure they are relevant and valid</p> <p>No changes are expected to the basis of the assumptions which inform the valuation for 2020-21.</p>	<p>No changes are expected to the models/methods used in 2020/21.</p>
<p>Fair Valuation of Loan Estimates</p>	<p>The Council values its financial instruments at fair value, as informed by the advice of external and independent Treasury Management advisors and Investment Fund Managers.</p>	<p>Fair values are estimated by calculating the present value of cash flows that take place over the remaining term of the instruments, as provided by management experts.</p>	<p>Independent Treasury Management advisor and Investment Fund Managers are used to inform the valuation of the estimate. These services are procured in line with our internal procurement guidelines and regulations. Credit rating agencies are</p>	<p>Management consider the exposure of each of its categories of financial instruments to credit, liquidity and market risks and, as per previous financial year, we will consider any additional credit risks arising as a result of the COVID-19 pandemic.</p> <p>Risks to accounting estimates used in our measurement of financial instruments are managed through our Treasury Management Strategy and the Council's overall risk management procedures which focus on the unpredictability of financial markets to minimise potential adverse effects on the resources available to fund sources.</p>	<p>No changes are expected to the models/methods used in 2020/21.</p>

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			used to inform assumptions in respect of the risk/quality of borrowers.		
NDR Appeals Estimate	<p>The source data is primarily the hereditaments on our local list, the list of cases in the Check, Challenge, Appeal process and commentary and analysis in professional journals.</p> <p>Calculations will be based upon current data including VOA threats list, Analyse Local and LG Futures data in liaison with other Pool members.</p> <p>WFDC changed a critical accounting judgement last year (2019-20) and only recognised a potential liability for business rate appeals when an appeal had been lodged and consequently amended the calculation of the accounting estimate to only reflect known appeals. We propose amending the estimation method again this year to capture the risk of MCC appeals. We are currently finalising our proposed methodology.</p>	<p>The Council's Business Rates/Revenues expert, Accountants and S151 officer communicate with a cross section of contacts, experts and advisors (CIPFA) throughout the year and at year end to formulate a balanced view. The estimates are reviewed by management prior to inclusion in the financial statements.</p>	<p>Yes – Expert advice from VOA and LG Futures</p>	<p>We review the statistics collated for us by Analyse Local and LG Futures and consult with other Pool members and other local authority colleagues.</p> <p>The estimate is sensitive to the assumptions made regarding, the volume of claims submitted, the period of time MCC is likely to be awarded and the % reduction to RVs. This is disclosed in the note to the accounts. Multiple point estimates are modelled and presented graphically to inform decision making.</p>	<p>In year experience has shown that the accounting method used previously was not reliable in predicting our liability. We anticipate changing our assumption to capture MCC and appeals.</p>

Management’s Assessment of Estimates

Property, Plant and Equipment Valuation Estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>Yes, risk was identified relating to the material accuracy of this accounting estimate. We generally commission valuations on a rolling 5-year programme and carry out a review of assets not revalued each year to determine the potential risk of material movement. We have assets valued at &gt;£1m valued annually. 2020-21 is being treated as an exceptional year and we have commissioned valuations for 100% of our estate due to increased risk to the material accuracy of this accounting estimate as a result of the impact of Covid-19 on asset valuations and the change in valuer following the procurement exercise undertaken in year for asset valuation services. We will review the valuations prepared and compare to previous valuations and current market evidence and consider the assumptions used by the valuer and robustly challenge all changes to gain assurance that the accounting estimates are robust.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Valuations are made by the external valuer in line with RICS guidance on a five-year rolling programme in accordance with RICS Valuation Global Statements 2020 and UK National supplement, unless events indicate that a more frequent interval is required</p> <p>All assets with a market value in excess of £1m are valued annually.</p> <p>This year is considered an exceptional year (see above) and a full inspection and valuation exercise has been commissioned to reduce estimation risk.</p> <p>The internal valuer reviews the methods, assumptions and results of the commissioned valuations as part of our internal QA processes.</p> <p>No changes are expected to the models/methods used in 2020/21 other than changing the interval. We have appointed new valuers to carry out revaluations at 31 March 2021 (Avison Young); as part of handover activity, we will review the methods/models and assumptions used to ensure they remain appropriate for our asset base.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Asset lives are considered as part of our valuation process. Assumptions relied upon by our external valuers such conditions and impairments are subject to review and challenge as part of the year end discussions with the valuer/valuation team. Assumptions are disclosed in the year end valuation report. Income earning potential has been reviewed (car parks) to reflect experience in 2020-21 however we do not fully understand the long term impact of the pandemic on income streams,</p>

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	<p>We do not anticipate that there will be any changes to assumptions relied upon in 2020-21 however discussions with the valuer are ongoing and this work has not been concluded.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Assets initially selected for revaluation in 2020-21 were as per our 5-year rolling programme of asset valuations. In addition to those selected as part of a rolling programme, we revalue all assets with a value in excess of £1m annually to increase the total value of land &amp; buildings assets revalued in the year to circa 80% of the total b/f NBV.</p> <p>Details of the rolling programme are included in the contract for services (provided).</p> <p>Our in-house valuer produced the rolling programme. Assets were selected to ensure a comprehensive cross section of assets is covered each year with at least one asset from each asset class being included and where possible a mix of values within each class.</p> <p>Subsequent to procuring this work we have also commissioned asset valuations for the remainder of our property estate due to the extraordinary circumstance brought about by the Covid-19 pandemic.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>We have appointed Mark Shelly (RICS Registered Valuer of Avison Young to undertake our 2020-21 asset valuations. Asset valuation services have been procured in line with our internal procurement guidelines and regulations.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>We meet with the valuers at regular intervals throughout the year. Our requirements are detailed in the contract for services and each year we will clarify requirements in respect of year end valuations in a detailed work instruction (email supplied). A review of the draft values is performed by the Capital Accountant and discussed with the Financial Services Manager and Corporate Director: Resources (S151 officer) to challenge and understand any unusual or significant changes in valuation. The results of this review are discussed with the external valuer prior to issue of the final valuation report. The Council's Estates Surveyor also carries out a separate full review of the valuations provided by the external valuer.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes, the controls in place over the valuation of our property, plant and equipment assets are considered adequate. The robustness of identified controls is assessed through discussions with valuers and challenged as noted above where increases/decreases in value are in excess of 10% based on the last formal valuation.</p> <p>A reconciliation of the year end valuation report to values per the asset register, financial statements and supporting notes is performed to ensure the accuracy and completeness of changes in asset values in the year. A</p>

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	review of manual entries to reflect changes in valuation is also carried out.
8. Were any changes made to the key control activities this year? If so please provide details.	We have changed our external valuers from Bruton Knowles to Avison Young in 2020-21 which impacts on control activities. We have commissioned additional services to increase coverage to 100% to reduce the risk of estimation uncertainty. No other changes to key control activities this year.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<p>We consider the uncertainty relating to asset valuations in the context of information provided by our expert valuers alongside our local and market knowledge and input from our internal valuer and other relevant individuals across the Council.</p> <p>We are reducing the uncertainty in 2020-21 by commissioning additional services to cover 100% of the property estate.</p> <p>Avison Young have also provided a commentary on the RICS approach to material valuation uncertainty clauses for the 2020-21 valuations, removing this for many sectors. A copy has been provided to Grant Thornton in advance of the interim audit.</p>
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<p>We will review the year end valuations provided by the external valuer and challenge unusual or significant changes in asset values within a 10% range. We are supported in this exercise by the internal valuer.</p> <p>We consider the sensitivity of estimate by reference to historic movements in the Council's asset portfolio as well as direct comparables, general market data, other local sources and information provided by our external valuers to consider a range of reasonable outcomes and provide assurance of the accuracy of asset values disclosed in the financial statements.</p> <p>Further modelling of valuation changes of 5 and 10% are also calculated to inform our assessment of the risk of misstatement by reference to audit materiality.</p>

### Pension Liability Estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>The potential impact of Brexit and COVID-19 is actively discussed with the actuaries and will be factored into estimates as appropriate.</p> <p>The estimates we expect to be impacted are:</p> <ul style="list-style-type: none"> <li>Asset returns</li> <li>Mortality assumption</li> <li>Financial assumptions <ul style="list-style-type: none"> <li>Inflation expectations</li> <li>Salary Increases</li> </ul> </li> </ul>

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	Discount rate
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>The valuation of assets and liabilities in respect of defined benefit obligations are calculated by the independent firm of actuaries. Liabilities are assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels.</p> <p>No changes are expected to the models/methods used in 2020/21.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>The principal assumptions used by the actuary are in respect of mortality (longevity at 65 for current and future pensioners) and financial assumptions: rate of CPI inflation, rate of increase in salaries, rate of increase in pensions and rate for discounting scheme liabilities.</p> <p>No changes are expected to the basis of the assumptions which inform the valuation for 2020-21.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Wyre Forest fill out PCF1 forms each month, and then send these to the Worcestershire Pension Fund. Data from months 1 through to 10 are used to predict the employee and employer contribution total for the final 2 months. This data is then sent forward to the actuary from the Pension Fund. Also communicated between WFDC and the actuary are any pay awards or redundancies - potential changes in amount on payroll - thus any means which may affect the valuation and result in actuarial strain; for the predicted last two months.</p> <p>There are no changes to the source data relied upon in 2020-21</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>The LGPS is assessed by Mercer Ltd, an independent firm of actuaries and estimates for the Council's fund are based on the latest full valuation of the scheme. Actuarial services are procured by Worcestershire County Council as pension fund administrators in line with their internal procurement guidelines and regulations.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>The Council's Corporate Director: Resources is the Employer Representative on the Worcestershire Pension Board (as such receives extensive training much of which is technical) which provides opportunity to scrutinise activity. Further contact with the externally appointed actuaries throughout the year is provided at scheduled meetings with the Worcestershire authorities' S151 officers. The year-end report is considered by the Corporate Director: Resources, the Financial Services Manager and the Principal accountant prior to inclusion in the financial statements.</p>

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<p>7. In management’s opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes, the controls in place over the valuation of pension liability are considered adequate. The robustness of identified controls is assessed through review of assumptions and discussions with actuaries.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>There are no changes to the key control activities in 2020-21</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>The estimate is sensitive to the actuarial assumptions as noted above. A sensitivity analysis is prepared to consider the impact of changes in the assumptions and this is disclosed in the note to the accounts. The S151 officer sits on the pensions board. The actuaries are invited to meet with board members to explain and justify the estimates and assumptions used. The Board provide rigorous challenge to assumptions to ensure they are relevant and valid.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>As noted above, changes to the assumptions are calculated and the resulting impact on the valuation is disclosed in the statutory accounts.</p>

### Fair Valuation of Loans Estimate

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>No risks identified</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>The Council values it’s Financial Instruments at fair value (Financial Assets valued at amortised cost - all short dated so carrying value and fair value the same).</p> <p>Fair values are estimated by calculating the present value of cash flows that take place over the remaining term of the instruments. The valuation is informed by the advice of external and independent Treasury Management advisors. (Financial model valuation provided by Link Asset Services).</p> <p>There are no changes to the methods/models used in 2020-21</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Assumptions used to inform the valuation of financial instruments are provided by our Treasury Management advisors and information obtained by the Council’s Treasury team specific to each type of asset/liability.</p>

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<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Source data which informs the estimate is provided in the form of data from our expert Treasury Management advisors and the in-year knowledge of the Council's Treasury Management Team.</p> <p>There are no changes to the source data relied upon in 2020-21.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Independent Treasury Management advisor and Investment Fund Managers are used to inform the valuation of the estimate. These services are procured in line with our internal procurement guidelines and regulations. Credit rating agencies are used to inform assumptions in respect of the risk/quality of borrowers.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Management monitor the operation of control activities of this estimate through the Treasury Management Strategy, risk management procedures and regular discussions with expert providers throughout the year.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>The controls in place to determine the fair value of loans are considered adequate by management.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>There are no changes to the key control activities in 2020-21.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Management consider the exposure of each of its categories of financial instruments to credit, liquidity and market risks and, as per previous financial year, we will consider any additional credit risks arising as a result of the COVID-19 pandemic.</p> <p>Risks to accounting estimates used in our measurement of financial instruments are managed through our Treasury Management Strategy and the Council's overall risk management procedures which focus on the unpredictability of financial markets to minimise potential adverse effects on the resources available to fund sources.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>As noted above the Council works closely with its retained expert in utilising the methods &amp; assumptions for disclosure in the financial statements.</p>

**NNDR Appeals Estimate**

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>It is clear that COVID-19 has taken its toll on businesses and our local economy. We have become aware, both locally and nationally, of indications from the Valuation Office Agency (VOA) that they are working with Rating Agents to consider reductions to rateable values across a wide variety of sectors in response to the effects of the pandemic. The result of these discussions is expected to be a temporary Material Change in Circumstance (MCC) reduction. Upholding these appeals will potentially result in a significant financial impact and any appeals settled are likely to act as a catalyst for a vast number of similar appeals to follow. The effect could result in reductions in both 2020-21 and 2021-22 and could range from 20% to 70%. WFDC changed a critical accounting judgement last year (2019-20) and only recognised a potential liability for business rate appeals when an appeal had been lodged and consequently amended the calculation of the accounting estimate to only reflect known appeals. We propose amending the estimation method again this year to capture the risk of MCC appeals. We are currently finalising our proposed methodology.</p>
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>The Council employs an In-house specialist, supplemented with external experts and national emerging issues as notified by the VOA</p> <p>Calculations will be based upon current data including VOA threats list, Analyse Local and LG Futures data in liaison with other Pool members.</p> <p>Yes, we anticipate making a change to our method for the MCC reason detailed above.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>We review the statistics collated for us by Analyse Local and LG Futures and consult with other Pool members and other local authority colleagues.</p> <p>We anticipate changing our assumption to capture MCC appeals.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>The source data is primarily the hereditaments on our local list, the list of cases in the Check, Challenge, Appeal process and commentary and analysis in professional journals.</p> <p>No change is expected to the sources however the data will be refreshed.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Use of specialist and expert advice from VOA, Internal IRRV officer. All services are procured in line with our internal procurement guidelines and regulations.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>The Council's Business Rates/Revenues expert, Accountants and S151 officer communicate with a cross section of contacts, experts and advisors (CIPFA) throughout the year and at year end to formulate a</p>

## Agenda Item No. 7 – Appendix 3

	balanced view. The estimates are reviewed by management prior to inclusion in the financial statements.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the controls in place over the calculation of the provision for business rate appeals are considered adequate. The robustness of identified controls is assessed through review of assumptions and discussions with actuaries.
8. Were any changes made to the key control activities this year? If so please provide details.	There are no changes to the key control activities in 2020-21.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The estimate is sensitive to the assumptions made regarding, the volume of claims submitted, the period of time MCC is likely to be awarded and the % reduction to RVs. This is disclosed in the note to the accounts. Multiple point estimates are modelled and presented graphically to inform decision making.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	As noted above, changes to the assumptions are calculated and the resulting impact on the valuation is disclosed in the statutory accounts.

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE****26<sup>th</sup> MAY 2021****INTERNAL AUDIT MONITORING REPORT**  
**QUARTER ENDED 31<sup>ST</sup> MARCH 2021**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Councillor Mary Rayner: Finance & Capital Portfolio
<b>RESPONSIBLE OFFICER</b>	Corporate Director: Resources: Tracey Southall, Extension 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>CONTACT OFFICER:</b>	Audit Manager: Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31st March 2021

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> March 2021, attached as Appendix 1.

**2. RECOMMENDATION**

**The Audit Committee is asked to CONSIDER:**

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 31<sup>st</sup> March 2021 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 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 22<sup>nd</sup> July 2020, the Audit Committee approved an addendum to the 2020~21 operational internal audit plan, which identified those key areas where it was anticipated that the scope of the internal audit work may/would vary in light of the ongoing Covid-19 pandemic.

## Agenda Item No. 8

3.3 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Leadership Team and to the External Auditors.

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

Section 1	<b>Follow up reviews</b> undertaken in the quarter; incorporating recommendations in progress
Section 2	<b>Final</b> Internal Audit Reports issued
Section 3	<b>Draft</b> Internal Audit Reports issued
Section 4	<b>Work In Progress</b> to include draft reports issued following completion of 2020~21 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken

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

3.5 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by Internal Audit to require management's attention. The final audit report will recognise those areas of improvement and recommendations promptly actioned during the course of the audit, in order to raise the overall level of assurance given by Internal Audit at the completion of the full review.

3.6 The Internal Audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to the respective Corporate Leadership Team member and their nominated service manager{s} for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.

3.7 The Internal Audit Charter requires an annual opinion on the Council's internal control environment. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's internal control environment, which is reported to the 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. 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 20<sup>th</sup> 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 22<sup>nd</sup> 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 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.

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 31<sup>st</sup> March 2021 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 22<sup>nd</sup> July 2020 ~ Audit Committee ~ Addendum to Internal Audit Plan 2020~21

25<sup>th</sup> March 2020 ~ Audit Committee ~ Internal Audit Annual Plan 2020~21

28<sup>th</sup> November 2018 ~ Audit Committee ~ Quality Assurance & Improvement Programme

30<sup>th</sup> 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 MARCH 2021**

**INTERNAL AUDIT**  
**QUARTERLY AUDIT REPORT**  
**QUARTER ENDED 31<sup>st</sup> MARCH 2021**

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 <i><b>Cheryl Ellerton</b></i> <b>AUDIT MANAGER</b>	
 <i><b>Tracey Southall</b></i> <b>SECTION 151 OFFICER</b>	

10<sup>th</sup> May 2021

SECTION 1

Quarter Report to the 31st March 2021

**Summaries of Follow up Reviews undertaken in the Quarter**

KEY	
Assurance Levels	Definition
<b>Full</b>	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
<b>Some</b>	Sufficient framework of controls but some weakness identified – provides adequate assurance.
<b>Limited</b>	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
<b>Unsound</b>	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.**

**SECTION 2**

<b>SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2021</b>		
	<b>ASSURANCE</b>	<b>PAGE</b>
<b>CORE FINANCIAL SYSTEM REVIEWS</b>		
<b>Key Systems (Annual Assurance Reviews)</b>		
2020~21 Accounts Payable {Corporate Creditors} ~ Reconciliations	<b>F</b>	-
2020~21 Council Tax ~ Compliance {Change of Circumstances & Recovery}	<b>F</b>	-
2020~21 Income to Bank ~ Bank Reconciliation	<b>F</b>	-
2020~21 NNDR ~ Reconciliations {Valuation Office & Income}	<b>F</b>	-
2020~21 NNDR ~ Compliance {Change of Circumstances & Recovery}	<b>F</b>	-
2020~21 Payroll {WFDC} ~ Reconciliations	<b>F</b>	-
2020~21 Treasury Management	<b>F</b>	-

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

SECTION 3

**Quarter Report to the 31st March 2021**

<b>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st March 2021</b>		
<b>TITLE</b>	<b>DATE OF ISSUE</b>	<b>CURRENT STATUS OF REPORT</b>
2020~21 Budget Monitoring	27.04.21 {Q4~31.03.21}	<p><b><u>Response from Financial Services Manager 13.05.21</u></b></p> <p>Confirmed:</p> <ul style="list-style-type: none"> <li>→ Work has commenced to overhaul of the regular reporting arrangements utilising the Agresso Budget Planner module to ensure that regular reporting is enhanced and production is streamlined freeing the accountants to provide more qualitative analysis;</li> <li>→ Regular contact was maintained with budget holders throughout the 2020-21 financial year with either ad hoc user generated reports being provided to support managers or additional advice and guidance provided to help managers self-serve;</li> <li>→ Monthly financial reports (month 5 to month 11) were prepared for Cab/CLT to present regular outturn projections, significant variances and scorecard data. These monthly update reports were prepared in consultation with service managers.</li> <li>→ Regular monthly delta returns were also completed throughout the year to report on cost and income pressures relating to Covid-19.</li> </ul>

**SECTION 4**

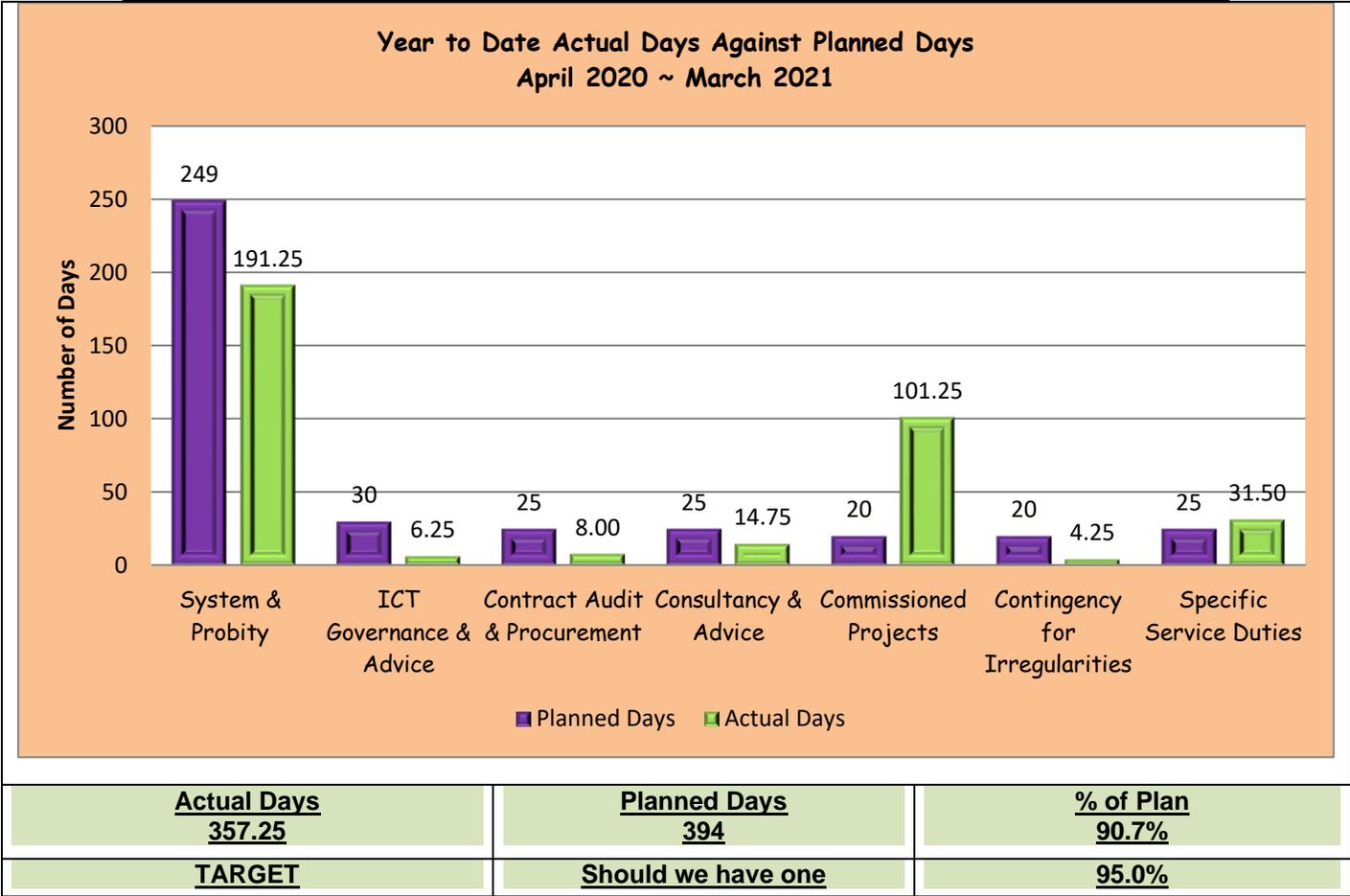
The following Action Plans have been issued to Managers. In addition, the table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2020~21 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31 <sup>st</sup> March 2021		Status	Action Plans/Progress Report			DATE OF COMPLETION OF FIELD WORK
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.21	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	
	<b><u>Core Financial Systems (Annual Assurance Reviews)- 2020~21 Annual Audit Plan</u></b>					
RA40	<b><u>Accounting Cash To Bank</u></b> Bank Reconciliation Income to Bank {TIC/Museum} Income to Bank {Hub ~ Green Street} Income to Bank {WFH}	Stage 6 Stage 4 Stage 4 Stage 4	- - - -	09.11.20 - - -	- - - -	21.04.21 {FR} 31.03.21 31.03.21 31.03.21
RA57	<b><u>Benefits (Inc Council Tax Discounts (Local Scheme))</u></b> Council Tax Reduction {Local Scheme} ~ Compliance Housing Benefit {Allowances} Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 4 Stage 4 Stage 4	- - -	- - -	12.03.21 - -	- 14.04.21 12.05.21
RA16	<b><u>Council Tax</u></b> Ctax Reconciliations ~ {To include Gross Debit 2020/21} Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control} Ctax Compliance/Recovery	Stage 6 Stage 3 Stage 6	09.07.20 {FR} - -	- - 13.11.20	- - -	- - 06.05.21 {FR}
RA44	<b><u>Creditors (Accounts Payable)</u></b> Creditors {Accounts Payable} ~ Compliance Creditors {Accounts Payable} ~ Reconciliation	Stage 4 Stage 6	- -	- -	- 24.02.21 {FR}	31.03.21 -
RA51	<b><u>Debtors (Accounts Receivable)</u></b> Debtors {Accounts Receivable} ~ Compliance Debtors {Accounts Receivable} ~Reconciliations	Stage 4 Stage 6	- -	- 18.11.20 {FR}	- -	31.03.21 -
RA21	<b><u>National Non Domestic Rates</u></b> NNDR ~ Reconciliations ~ {To include Gross Debit 2020/21} NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control} NNDR ~ Compliance/Recovery	Stage 6 Stage 6 Stage 6	09.07.20 {FR} - -	- - 11.11.20	- - -	- 06.05.21 {FR} 06.05.21 {FR}
RA51	<b><u>Payroll (Including Mileage &amp; Subsistence Claims)</u></b> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) Payroll ~ Reconciliations	Stage 4 Stage 6	- -	- -	- 24.02.21 {FR}	16.04.21 -
RA32	<b><u>Treasury Management (Strategy, Reporting &amp; Management)</u></b>	Stage 6	-	-	01.03.21	20.04.21 {FR}
<b>KEY</b>	<b>Stage 1</b> ~ Field Work In Progress ~ {With Individual Auditor} <b>Stage 2</b> ~ Phases 1 & 2 & 3 Field Work Complete for Peer Review <b>Stage 3</b> ~ Phases 1 & 2 & 3 Field work Complete with Action Plans/Progress Report to Service Manager	<b>Stage 4</b> ~ Audit Complete ~ Reviewed {Audit Manager} <b>Stage 5</b> ~ Draft Report Issued <b>Stage 6</b> ~ Final Report Issued {FR}				

**SECTION 5**

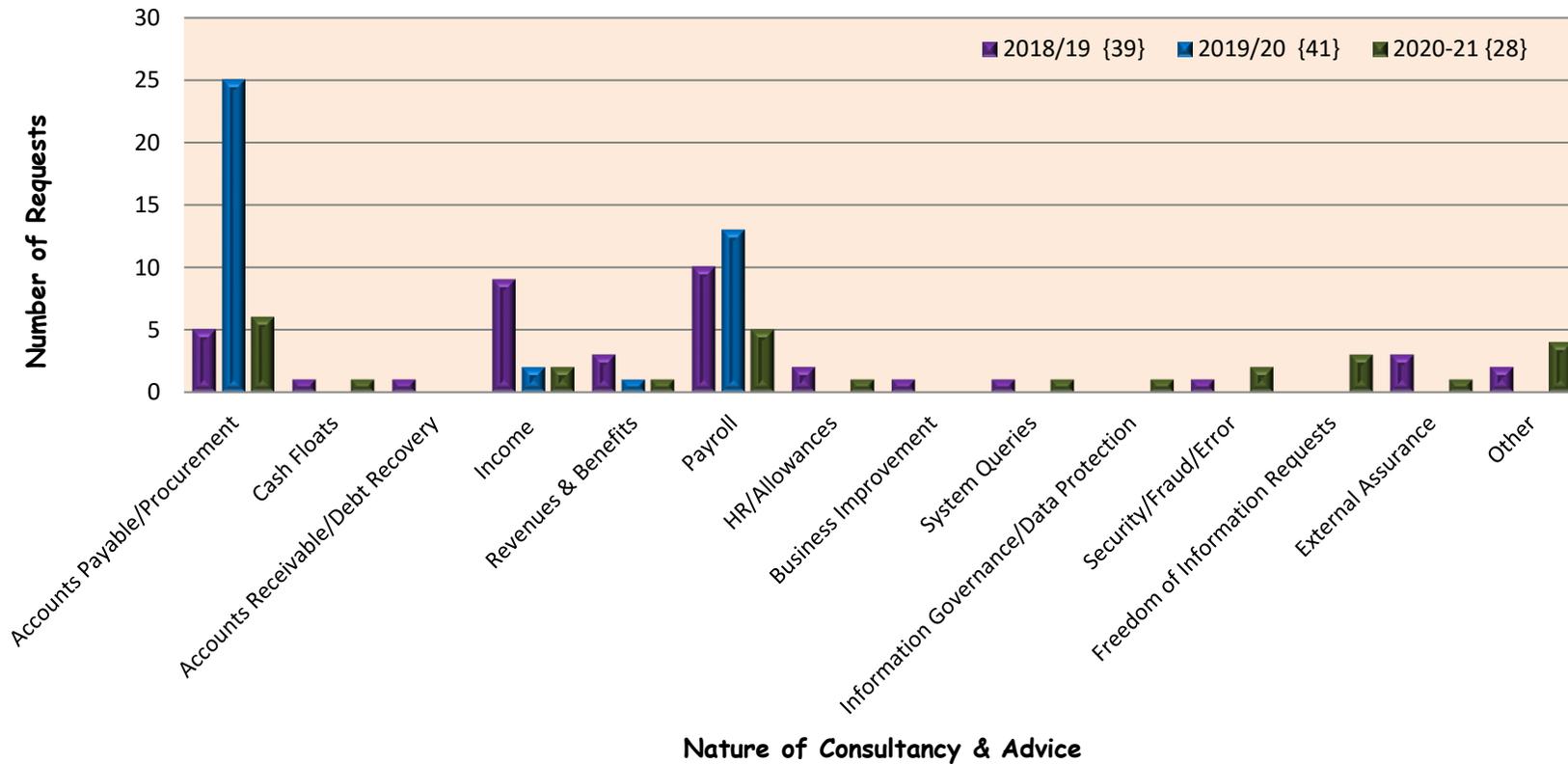
**Audit Resource Statistics**

**Performance Against Annual Plan For The Financial Year 2020/21**



Within the time allocated in the above table, during this fourth and final quarter of 2020/21 the Internal Audit Team have responded to **28** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **41** requests received and actioned for the same period for 2019/20 and the **39** requests received and actioned for the same period in 2018/19.

**Comparison of Ad-hoc Audit Consultancy & Advice  
Quarter 4 Comparison (January to March) 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 Frengo {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.

### **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 for which required data sets were submitted to the Cabinet Office in respect of Trade Creditors, Taxi Licences, Payroll and Housing Benefit Claimants. As part of the 2020~21 programme, additional data sets have been submitted to cover Covid-19 grant recipients in respect of the first national lockdown from 23<sup>rd</sup> March 2020. Data required covered the grant schemes for Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and Local Authority Discretionary Fund.

### **Covid-19**

During this fourth quarter, the Internal Audit Team have continued to support the work of the Revenues and Benefits Team by undertaking detailed post assurance payment checks on the Local Restriction Support Grant schemes in respect of periods of national lockdowns and tier restrictions.

### ***Detailed post assurance payment testing has covered: -***

- ➔ Tier 3 restrictions in place from 31<sup>st</sup> December 2020 to 4<sup>th</sup> January 2021 to ensure grants had been awarded in accordance with rateable values.
- ➔ The period of national lockdown which commenced on 5<sup>th</sup> January 2021, to include payments to those businesses mandated to close {non-essential retail, leisure, personal care, sports facilities and hospitality premises}
- ➔ Discretionary support grants for those businesses not captured by the mandatory schemes and/or not separately identified on the rating lists but incur property costs for trading within the district.

The Internal Audit Team have also continued to complete post 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.

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

**26<sup>th</sup> MAY 2021**

**The CIPFA Financial Management Code**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor M Rayner, Cabinet Member for Finance and Capital Portfolio
<b>RESPONSIBLE OFFICER:</b>	Corporate Director: Resources
<b>CONTACT OFFICERS:</b>	Corporate Director: Resources Ext 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>APPENDICES:</b>	Appendix 1 – The CIPFA Financial Management Code – Self Assessment

**1. PURPOSE OF REPORT**

- 1.1 Local government finance in the UK has been governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, was not supported by a professional code.
- 1.2 This situation changed when, in December 2019, CIPFA published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management.
- 1.3 The standards have different practical applications according to the size and different circumstances of individual authorities and their use locally should reflect this. The principle of proportionality applies to the FM Code and reflects a non-prescriptive approach to how each standard is met.

**2. RECOMMENDATION**

**2.1 The Audit Committee is asked to note:**

**The publication of the FM Code and the requirement for it to be applied from 1 April 2020.**

**That the first year, 2020/21, was a shadow year where local authorities were able to demonstrate that they are working towards full implementation which, for the first full year of compliance, will be 2021/22.**

**That an initial assessment has been carried out at APPENDIX A of the Council's assessed level of compliance compared to the Standards contained in the FM Code.**

**3. BACKGROUND AND KEY ISSUES**

- 3.1 The driver for the FM Code was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.
- 3.2 The FM Code acknowledges that there is much good practice across the sector, but the failures of a small number threaten stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.
- 3.3 The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities.
- 3.4 Wyre Forest District Council responded to the consultation on the draft FM Code on 26 April 2019, and following the completion of the consultation exercise, the draft FM Code was updated and refined with the final version published in December 2019.
- 3.5 The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.
- 3.6 While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Short-termism runs counter to both sound financial management and sound governance.
- 3.7 Reflecting on the importance of longer term financial planning, one of the objectives of the FM Code is to support organisations to demonstrate that they have the leadership, capacity and knowledge to be able to plan effectively. This must be balanced against retaining the integrity of the annual budget preparation process when the need to make difficult decisions may threaten its integrity.
- 3.8 Significantly, the FM Code builds on the success of the CIPFA Prudential Code, which requires local authorities to demonstrate the long-term financial sustainability of their capital expenditure and associated borrowing. With this success came new financial freedoms to make local decisions on matters that had hitherto been subject to central government control.

3.9 The FM Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. The FM Code incorporates existing requirements on local government to provide a comprehensive picture of financial management in the authority.

3.10 The application of the FM Code will therefore provide the strong foundation within local authorities to enable them to:

Financially manage their short-, medium- and long-term finances  
Manage financial resilience to meet foreseen demands on services  
Financially manage unexpected shocks in their financial circumstances.

3.11 The underlying principles that inform the FM Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. The principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.

**Organisational leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

**Accountability** - based on medium term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

**Financial management is undertaken with transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making

**Adherence to professional Standards** is promoted by the leadership team and is evidenced.

**Sources of assurance are recognised** as an effective tool mainstreamed into financial management and includes political scrutiny and the results of external audit, internal audit and inspection.

**The long-term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.12 Each local authority must demonstrate that the requirements of the FM Code are being satisfied. However, the FM Code is not expected to be considered in isolation, and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making and a holistic view is taken.

- 3.13 Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team.
- 3.14 It is for all the Corporate Leadership team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management.
- 3.15 An assessment has been carried out at **APPENDIX A** of the Council's assessed level of compliance compared to the Standards contained in the FM Code.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from this report.

**5. LEGAL AND POLICY IMPLICATIONS**

- 5.1 The Corporate Director: Resources (Section 151 Officer) has the Statutory Responsibility (supported by the Corporate Leadership Team and elected members) for ensuring compliance with the FM Code.

**6. EQUALITY IMPACT NEEDS ASSESSMENT**

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

**7. RISK MANAGEMENT**

- 7.1 If compliance with the CIPFA Financial Management Code is not demonstrated, the Council's financial sustainability could be brought into question which in turn could result in a negative impact on its reputation with stakeholders.
- 7.2 The Finance Team contains experienced qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in line with the requirements of their qualifications.

The Council has a strong, effective Corporate Leadership Team supported by experienced officers.

There is also the role played by both Internal and External Audit both of which offer challenge and ensure compliance with laws and regulations (the challenges presented by COVID-19 on capacity and priorities are also having to be considered).

**8. CONCLUSION**

- 8.1 The Council is required to demonstrate compliance with the Financial Management Code from 2021-22.

- 8.2 The appendix to this report identifies the CFO assessment against each Financial Management Code Standard and also highlights Action required. This shows that overall, there is a high level of compliance but that there is room for continuous improvement in some areas. This initial assessment will be used as a data line for future reporting to this Committee that will be done on an annual basis.

**9. CONSULTEES**

- 9.1 Corporate Leadership Team  
9.2 Cabinet Member for Finance and Capital Portfolio

**10. BACKGROUND PAPERS**

- 10.1 CIPFA Financial Management Code

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
<b>Responsibilities of the Leadership Team and Chief Financial officer (CFO)</b>				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	17-18	Legislative requirement for Authorities to deliver VFM. Delivery of VFM depends on decisions by Elected Members. Shared responsibility across the Leadership Team to communicate and understand the risks involved.	<p>The Council regularly uses benchmarking data previously sourced from LG Futures financial information service. This service includes annual benchmarking information on:</p> <ul style="list-style-type: none"> <li>Unit Costs.</li> <li>Sales, Fees and Charges.</li> <li>Council Tax and Business Rates.</li> </ul> <p>These are provided to the Corporate Leadership Team and top Service Officers to understand how the Council's indicators compare to nearest neighbours and all District Councils.</p> <p>Reports for business cases for the acquisition of assets or development loans include a financial viability assessment. Financial Implications are set out in all Cabinet reports.</p> <p>External Auditor provides a specific Value for Money Assessment each financial year. This is fundamentally changing for the 2020-21 accounts.</p> <p><b>Actions: Meet the new external auditor requirements for the 2020-21 closedown</b></p>
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	18-19	<p>In summary this Statement requires that the CFO:</p> <p>Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives</p>	<p>The Corporate Director: Resources is the Council's Section 151 and Chief Financial Officer.</p> <p>The Corporate Director: Resources is a key member of the Corporate Leadership Team and also part of meetings with the Cabinet/CLT meetings.</p>

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
			<p>sustainably and in the public interest. Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.</p> <p>Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.</p> <p>Must lead and direct a finance function that is resourced to be fit for purpose.</p> <p>Must be professionally qualified and suitably experienced.</p>	<p>All Cabinet and Council Reports are discussed in advance and agreed at both Leadership Team and Cabinet/CLT meetings.</p> <p>The Teams consists of 16 officers (14.5 FTES) in the Finance Team, 3 officers (2.459 FTE) in the Internal Audit Team.</p> <p>This Team includes 3 qualified accountants, 1-part qualified accountant and 9 qualified accounting technicians. There is significant experience across both the Finance and Internal Audit Teams. All officers undertake continuing professional development.</p> <p>The Council also subscribes to additional professional expertise and advice in relation to technical accounting, treasury management, financial management &amp; planning and taxation.</p> <p><b>Actions: To continue to support continuing professional development. To continue to support training and actively consider succession planning.</b></p>
<b>Governance and Financial Management Style</b>				
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	21	<p>A proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles.</p> <p>Clarity over the role of Head of Paid Service and Monitoring Officer. <sup>SEP</sup>Audit Committee provides independent assurance over governance, risk and internal control arrangements, with a focus on financial management, financial reporting and audit and assurance.</p>	<p>The Financial Regulations, Contract Procedure Rules and Scheme of Delegation clearly set out key governance for financial management. Job Roles supplemented by Person Specifications and the job evaluation system recognise management of resources as a key responsibility. This was also recognised by the recent pay and grading review. This is assigned at a level so that service delivery and budget can be aligned.</p> <p>The roles of the Head of Paid Service and Monitoring Officer are defined in the Council's constitution.</p>

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
			Leadership Team with a culture of constructive challenge based on realism. Goals, assumptions and implementations plans are rigorously examined.	<p>The terms of reference for the Council's Audit Committee cover the areas referenced.</p> <p>The Internal Audit Service has provided assurance over the effectiveness of the system of Internal Control (issue of annual report on the adequacy of governance, risk management and internal control).</p> <p>The Annual Governance Statement is reported to the Audit Committee and progress reports against the Action Plan also reported to Members for review and challenge.</p> <p>The Overview and Scrutiny Committee provides challenge to proposals before decisions are taken.</p> <p>Regular meetings between Corporate Leadership Team and Cabinet Members and separate Group Leader briefings.</p> <p><b>Actions: None Identified.</b></p>
D	The authority applies the CIPFA/SOLA CE Delivering Good Governance in Local Government: Framework (2016)	22	This framework recommends that the review of the effectiveness of the system of internal control is reported in an annual governance statement	<p>The Council prepares an Annual Governance Statement and in line with the framework.</p> <p>The draft is provided to Audit Committee for review and approval in advance of its inclusion in the Statement of Accounts.</p> <p><b>Actions: None Identified</b></p>
E	The financial management style of the authority supports financial sustainability	22-23	Strong financial management is assessed against a hierarchy of (1) delivering accountability, (2) supporting performance and (3) enabling transformation.	<p>Achieving stages 1 and 2 of the hierarchy. Budget Holders take responsibility for spend against their budgets.</p> <p>The monthly budgetary reporting process enhanced to include reporting on depot Commercial income generation is closely allied to the Medium Term Financial Strategy {MTFS} and</p>

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
				<p>Capital Strategy process. This enables Cabinet and the Corporate Leadership Team to have a wider understanding of the MTFS and take a more holistic view in relation to the revenue budget, capital programme, fees and charges, earmarked reserves and the link between assets ownership and financial planning. Quarterly Budgetary controls are reported to Cabinet. The history of underspends compared to the budget is noted although this is often the result of accounting for changes in reserves and provisions that cannot be anticipated in advance.</p> <p><b>Actions: A major upgrade to the Council's Unit4/Agresso Financial Management system was successfully completed in September 2020. As part of the ongoing contract with Unit 4 the Council has purchased the Budget Planner module and will look to implement this during 2021-22 to refine and improve the in-year reporting.</b></p>
<b>Long to Medium Term Financial Management</b>				
F	The authority has carried out a credible and transparent financial resilience assessment	25-26	Requirement to test sustainability against plausible scenarios of cost drivers, service demands, resources and key risks. Review of alternative options to match demand and resources.	The service and financial planning process is based on information on cost and demand drivers to enable robust and informed financial planning in each service area. This is summarised in the MTFS report and the Quarterly Cabinet reports report against the approved MTFS. Risk analysis and management is embedded in all reports and separate risk registers are maintained for significant projects. Financial sustainability is recognised as the greatest risk and is covered in detail in the Corporate Risk Register that is update monthly, managed by CLT and reported to the Audit

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
				<p>Committee a minimum of twice a year. The Pentana performance management system also reports on cost drivers, service demands and key risks and these are regularly reported to Overview and Scrutiny Committee.</p> <p>The MTFS includes three scenarios on funding and income – a central set of assumptions, more optimistic assumptions and more pessimistic assumptions.</p> <p>The updated Resilience Index was published by CIPFA in February 2021. This has been incorporated into the budget report for 2021-24 budget and there were no areas of concern for this Council.</p> <p><b>Actions: To continue to monitor and report on the Council’s financial resilience, particularly in the light of the increased funding gap and COVID Recovery Plan.</b></p>
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	26	Based on the above, have a long-term financial strategy that links to vision, strategy and outcomes. This should include a vision of what services will look like in the future to achieve financial sustainability. The length of the long-term is undefined and should be linked to the risks faced. Potentially should be 10 years+.	<p>The Council produces a three-year MTFS using standard assumptions on housing growth and related service pressures and a 10 year Capital Strategy</p> <p><b>Actions: To further develop the MTFS revenue model.</b></p>
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	26-27	<p>The Council has a long-term Capital Strategy that ensures that assets are managed and future plans are linked to capital resources available.</p> <p>Commercial investment activity should be considered over a suitable time horizon with risks fully considered. Ensure compliance with Prudential Code if borrowing.</p>	<p>The Council prepares a Capital Strategy in compliance with the Prudential Code that includes information on Assets/vehicle Management Plans and Condition Surveys.</p> <p>A 10-year revenue model is prepared to identify the longer-term implications of capital and commercial investment.</p>

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
				<b>Actions: To further refine the 10-year revenue model to supplement the 10-year Capital Strategy.</b>
<b>Annual Budget</b>				
J	The authority complies with its statutory obligations in respect of the budget setting process.	29	<p>These are generally covered by part 2 of Local Government Act 2003. This includes robustness of estimates and reserves (covered below) and the requirement for financial monitoring.</p> <p>It also includes section 114 of the Local Government Finance Act 1988, which requires the CFO to issue a report if the Council is about to incur unlawful expenditure. This would include setting an unbalance budget.</p>	<p>All estimates and reserves are reviewed by the Corporate Director: Resources in their role as Chief Finance Officer {S151} as part of the MTFS and taken to CLT for challenge. The Council's response to the additional External Audit requirements around estimations and assumptions for the enhanced VFM work have been documented and submitted to Grant Thornton as part of the 2020-21 closedown process</p> <p>The Council's earmarked reserves {EMRS} are subject to regular (6 monthly as a minimum) CLT challenge and review and are returned to General Reserves where no credible case can be made for their retention. The council reviewed and reduced the number of EMRS in 2017 following a review by the Link Group when the Working Balance was also increased from £1m to £1.2m.</p> <p><b>Actions: To continue to undertake robust review and challenge and reduce expenditure budgets as appropriate.</b></p>
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	29-30	Reserves to be considered as part of the budget process and should be 'adequate' and 'necessary'. Should enable the Council to manage unexpected events from within its own resources. The budget report details earmarked reserves held, the purpose of each reserve and estimated opening and closing balances.	<p>The MTFS includes a detailed statement (Appendix 4 to the February Cabinet and Council reports) from the Chief Finance Officer on the robustness of estimates and a statement on the adequacy of the proposed reserves.</p> <p>A risk assessed minimum level of reserves is included in the MTFS. Following an external</p>

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
				<p>review by the Link Group in 2017 the Working Balance was increased from £1m to £1.2m</p> <p>The information from the CIPFA Resilience Index and was referenced in the MTFS (appendix 4) and including the reserve comparison to other Councils. The detail of the 2018-19 Resilience Index was included in the 2020-23 MTFS report. Since CIPFA was very late publishing the 2019-20 Index it was referred to in the 2021-24 report but CLT received a detailed analysis that did not show significant variation to the prior year (as stated in the MTFS report).</p> <p><b>Actions: To continue to monitor the level of reserves and to include in regular reports to Cabinet as well as in the annual Section 25-28 of the Local Government Finance Act 2003 MTFS reports.</b></p>
<b>Stakeholder Engagement and Business Plans</b>				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	31	<p>Enabling residents to understand that resources are limited, and spending has to be prioritised. Leadership Team redirects resources to areas of higher priority.</p> <p>Understanding of statutory service delivery requirements. Use stakeholder consultation to set priorities. Helps to encourage community involvement, which could help reduce costs.</p>	<p>The Council undertakes Budget and Corporate Plan Consultation in accordance with section 9 of the Constitution - Budget and Policy Framework Procedure Rules. Consultation results are used to inform and help develop the Corporate Plan and MTFS. Consultation results are reported to Cabinet, Council and Strategic Review Panel as part of the development of the MTFS reporting.</p> <p><b>Actions: To continue to hold relevant consultations and stakeholder engagement in accordance with the Media Engagement, and Service protocols.</b></p>
M	The authority uses an appropriate documented option appraisal	31-32	Decisions are made from clear business cases that detail the up-front and ongoing costs and benefits. Where appropriate the time value of	For key policy decisions such as shared services, outsourcing, management reviews proposals set

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
	methodology to demonstrate the value for money of its decisions.		money should be considered. Alternative options should be considered. The complexity of the business case should be proportionate to the decision.	<p>out costs, benefits and also options that can be considered other than the recommendation made. Financial implications and risks are set out in full as part of the business case for new proposals.</p> <p>For the Capital Portfolio and Development Loans Fund proposals a robust options appraisal process is followed as set out in the Strategies for the Capital Portfolio Fund and Development Loans Fund Strategies.</p> <p><b>Actions: Consider if a service and financial planning process bidding process in line with corporate priorities should be introduced.</b></p>
<b>Monitoring Financial Performance</b>				
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	33	The Council should have timely information on its financial and operational performance. Performance indicators should be reviewed, alongside any overspends/ undelivered savings.	<p>The Quarterly Cabinet Reports on Budgetary Control and Monthly Budget Monitoring reports to Cabinet/CLT cover risk and highlight new and emerging risk as well as variances in spending to budget.</p> <p>Every Overview and Scrutiny Committee receives a report from the performance management system that includes risks.</p> <p>Overview and Scrutiny Committee receive regular Property Portfolio Reports that include updates on the performance of the properties held.</p> <p>The Corporate Risk Register is updated monthly and monitored by the S151 and the Corporate Leadership Team who takes half-yearly progress reports to Audit Committee.</p> <p><b>Actions: To consider further integration of service and financial reporting.</b></p>

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	33	<p>There is reference to monitoring material elements of the balance sheet that might give indications of departures from financial plans. Specific reference is made to commercial asset portfolios, contingencies and provisions.</p> <p>Cash flow is managed in accordance with guidance.</p>	<p>Annual Balance Sheet projections are undertaken in liaison with the Link Group, the Council's Treasury Management Consultants and included as part of the regular Treasury Management Strategic updates and twice-yearly Training for Members. The 10-year Capital Strategy includes projection of balance sheet key performance indicators including levels of debt, Minimum Revenue Provision and external income streams that service debt costs.</p> <p>Cash flow is included in the Treasury Management Reports.</p> <p>The key elements are monitored by Cabinet, the Treasury Management Panel, Overview and Scrutiny Committee and for the budget reports to the Strategic Review Panel</p> <p><b>Actions: Could consider taking a specific report on Balance sheet projections to CLT</b></p>
<b>External Financial Reporting</b>				
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom	35	The CFO has statutory responsibility for (1) producing the accounts and ensuring they are published on a timely basis (2) maintaining financial records (3) certification of the accounts and confirmation of a 'true and fair view'.	<p>These are all complied with. Assurance is provided through External Audit and Internal Audit (SIAS).</p> <p><b>Actions: None Identified.</b></p>
Q	The presentation of the final outturn figures and variations from budget allows the	25	The narrative report that accompanies the accounts provides a link to achievement of outcomes and performance. The Leadership	The information in the narrative report is closely linked and cross referenced to the MTFS Reports and the Council Tax leaflet.

APPENDIX A

Ref.	Description	Pages of	Detail	CFO Assessment and Actions Required
	leadership team to make strategic financial decisions		Team understand variances from budget and how they have been managed. The future implications of variances should also be considered i.e. will it affect the financial strategy/ financial resilience.	<p>A reconciliation to the Comprehensive Income and expenditure Statement is also provided to link the statutory accounts to the information provided to the Cabinet, Corporate Leadership Team and Strategic Review Panel.</p> <p><b>Actions: None Identified</b></p>

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

**26<sup>th</sup> May 2021**

**Corporate Governance Framework – Position Statement**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor Mary Rayner
<b>DIRECTOR:</b>	Corporate Director: Resources Solicitor to the Council
<b>CONTACT OFFICER:</b>	Tracey Southall <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a> Cheryl Ellerton Audit Manager <a href="mailto:Cheryl.ellerton@wyreforestdc.gov.uk">Cheryl.ellerton@wyreforestdc.gov.uk</a> Caroline Newlands <a href="mailto:caroline.newlands@wyreforestdc.gov.uk">caroline.newlands@wyreforestdc.gov.uk</a>
<b>APPENDIX 1</b>	Review of compliance with the Corporate Governance Framework Position Statement

**1. PURPOSE OF REPORT**

- 1.1 This report is to update the Audit Committee on the councils arrangements for Delivering Good Governance in Local Government based on the published guidance of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (/SOLACE).

**2. RECOMMENDATION**

- 2.1 **Audit Committee is asked to note the current position in respect of the Corporate Government Framework as attached in Appendix 1.**

**3. BACKGROUND**

- 3.1 A report was presented to the Audit committee on 17 March 2008, detailing a new Corporate Governance Framework *Delivering Good Governance in Local Governance*, which has been developed jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Society of Local Authority Chief Executives (SOLACE).

- 3.2 A further report was presented to the Audit Committee on 29 June 2009, which presented the results of the self assessment in relation to the adoption of the six core principles which underpin the governance of each local government body, these being

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

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3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability

### 3.3 The self assessment considered:-

- The extent to which the authority complies with the principles and elements of good governance set out in the Framework.
- Systems, processes and documentation that provide evidence of compliance.
- The individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified.
- The issues that have not been addressed in the authority and consider how they should be addressed.
- The individuals who would be responsible for undertaking the actions that are required.

3.6 In March 2010, a comprehensive review of the implementation of the action points was undertaken which identified that the majority of actions had been completed. With a further report to the Audit Committee on 14<sup>th</sup> March 2011 reviewing the areas where there were outstanding actions in March 2010 as well as areas where there has been a change in the last twelve months.

3.7 CIPFA/SOLACE reviewed the Framework during 2012 to ensure it remained “fit for purpose” and issued further guidance in late December 2012 with the key message for local authorities to review and report on the effectiveness of their governance arrangements and meet the governance standard. An update on the council’s arrangements for delivering good governance against the revised framework were considered by the Audit Committee at its meeting in December 2013.

3.8 The governance framework ‘Delivering Good Governance in Local Government’ was revised in 2016 redefining the principles that should underpin the governance of each local government organisation. It provides a structure to help Councils with their approach to governance.

Key elements of the systems and processes that comprise an authority’s governance now include arrangements for the seven core principals as follows: -

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes

- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing the risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

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

- 4.1 The main change relates to the list of key elements that comprise the governance framework. The main changes as summarised below:-
- Counter Fraud and anti corruption arrangements;
  - Effective management of change/transformation
  - Compliance with CIPFA statement on role of Head of Internal Audit
  - Discharge of Monitoring Officer function
  - Discharge of head of Paid Service function
  - Enhancing accountability for service delivery/effectiveness of other public service providers
  - Compliance with CIPFA Financial Management Code (FM Code)
- 4.2 The evidence detailed at Appendix 1, demonstrate that the Council's Governance arrangements are robust and operating effectively. A review of the main changes as detailed above, will be undertaken with findings on any outstanding actions presented to the Audit Committee in May 2022.

#### **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, the adoption of the Corporate Governance Framework assists with this requirement.

#### **7. RISK MANAGEMENT**

- 7.1 The purpose of a regular review of the Corporate Governance Framework is to identify any gaps in the Council's existing corporate governance arrangements. By addressing any gaps, the Council is minimising its exposure to risk.

#### **8 EQUALITY IMPACT NEEDS ASSESSMENT**

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

#### **8. CONCLUSION**

- 8.1 A review undertaken of the Council's Governance arrangements has identified that these arrangements are adequate and operating effectively in practice. The review identified some areas where there is the scope for further improvement and officers will address and in the whole these have been addressed.

**9. CONSULTEES**

- 9.1 Corporate Leadership Team
- 9.2 Cabinet Members

**10. BACKGROUND PAPERS**

- 10.1 Delivering Good Governance in Local Government CIPFA/SOLACE Framework 2007
- 10.2 Application Note to Delivering Good Governance in Local Government March 2010
- 10.3 Delivering Good Governance in Local Government: Addendum December 2012
- 10.4 Delivering Good Governance in Local Government: CIPFA/SOLACE Framework 2016
- 10.5 CIPFA Financial Management Code – October 2019

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation, and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>  <i>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</i></p>				
<p><b>Behaving with integrity</b></p>	<p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</p>	<p>Council Constitution including the 'Role of a Councillor'</p> <p>Codes of conduct for Councillors and Staff</p> <p>Protocol on Councillor/ Officer Relationships</p> <p>Declarations by Councillors to abide by code of conduct</p> <p>Disclosure of disclosable pecuniary interests forms completed by Councillors and declared at meetings</p> <p>Hearings Panel together with appointment of an Independent Person to consider reports on alleged breaches of code of conduct by Councillors</p> <p>Employee handbook setting out requirements and standards expected</p> <p>Employee disciplinary procedure</p> <p>Induction for new members and staff on standard of behaviour Expected to accord with our values that underpin everything staff and councillors do.</p>		<p>Annual Review of Council Constitution and code of conduct for councillors revisions to May AGMs</p> <p>Who: Solicitor to the Council</p> <p>When: May each year</p>

Good Governance Matrix: Reviewed May 2021

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/Planned
		Regular Development/ Management Reviews for all staff  Member Training		Annual review of training requirements  Who: Solicitor to the Council and CLT  When: Annual for May each year
	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).	Corporate values defined in and published as part of Council's Strategic Plan  Plan published on-line and shared with wide range of stake-holders		
	Leading by example and using these standard operating principles or values as a framework for decision making and other actions .	Council Constitution sets out arrangements for the following and is reviewed annually:  Decision making practices  Declarations of interests made at meetings  Conduct at meetings  Effective procedure operated by Monitoring Officer to investigate complaints about councillor conduct  Senior officers act as role models		Review of Council Constitution undertaken Annually  Who: Solicitor to the Council  When: annual review reported to May AGM
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.	Anti-fraud and corruption policies developed and communicated to all staff and published to website  Maintenance of register of interests - published on line for Councillors		Anti-fraud and corruption policies and procedures to be reviewed and communicated to staff.  Who: Audit Manager/CLT

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
		<p>Register of gifts and Hospitality</p> <p>Whistleblowing policies are in place and protect individuals raising concerns - policy published to council website</p> <p>Policies reviewed and agreed by and Audit Committee</p> <p>Regular reminders issued to staff on suite of Anti - fraud and Corruption policies</p> <p>Three stage Corporate Complaints Policy established and published on website</p> <p>Learning from complaints where changes in service/ process identified</p> <p>Councillors and Officers codes of conduct refer to a requirement to declare interests</p> <p>Agendas for Council meetings include item on declarations of interest with details recorded in the Minutes</p>		<p>When: Previous refresh 2019, further review by March 2022</p>
<p><b>Demonstrating strong commitment to ethical values</b></p>	<p>Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p>	<p>Implicit in our corporate values is that staff will act with fairness and integrity at all times</p> <p>Consideration of equality and diversity and sustainability implications in all reports</p>		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
		<p>Championing ethical compliance at all decision making body levels</p> <p>Sustainability issues are considered within all decision-making reports</p>		
	<p>Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation .</p>	<p>Provision of ethical awareness training</p> <p>Financial Regulations and Contract Procedure Rules</p> <p>Compliant Procurement processes</p>		
	<p>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p>	<p>Development Review processes take account of values and ethical behavior</p> <p>Staff recruitment and selection policy</p> <p>Corporate values</p> <p>Procurement policy</p>		
	<p>Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</p>	<p>Agreed values in partnership working</p> <p>Information provided to business on 'Doing business with the Council' outlines the Council's commitment to environmental, equalities and sustainability considerations.</p> <p>Values feature in contracts with external service providers</p> <p>Protocols for partnership working</p>		<p>Review of contract procedures Rules undertaken in March 2021. Further review to be undertaken when UK regulations for EU subsidy are confirmed</p> <p>Who: Solicitor to the Council/ Procurement Officer</p> <p>When: Regulations confirmed</p>

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
<b>Respecting the rule of law</b>	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.	<p>Council Constitution</p> <p>Statutory Officers (e.g. Monitoring Officer) charged with ensuring compliance</p> <p>Internal control framework and annual review of effectiveness</p> <p>Legal implications/ considerations included in all reports</p> <p>Compliance obligations linked to membership of professional bodies</p>		<p>Annual Review of Council Constitution.</p> <p>Who: Solicitor to the Council</p> <p>When: Annual report to May AGM</p>
	Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.	<p>Job descriptions Person specifications</p> <p>Protocol on Councillor/ Officer relationships</p> <p>Compliance with CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> and the <i>Financial Management Code</i></p> <p>Provision of training</p> <p>Council Constitution</p> <p>Committee Terms of Reference</p> <p>Scheme of Delegation</p> <p>Committee Support and advice</p>		<p>Review of Council Constitution for councillors undertaken annually</p> <p>Who: Chief Executive</p> <p>When: Annual report to May AGM meetings</p>
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.	Encouragement of a flexible and liberal interpretation of legal powers and processes		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
		Record of legal advice provided by officers  Obtaining legal advice on new or 'innovative' proposals  Learning from peer Councils and others such as the LGA, professional bodies		
	Dealing with breaches of legal and regulatory provisions effectively .	Monitoring officer provisions  Record of legal advice provided by officers Statutory provisions - e.g. duties of Monitoring Officer and SI51 Officer		
	Ensuring corruption and misuse of power are dealt with effectively.	Anti-fraud and corruption policies and procedures  Regular review of effectiveness  Work of Internal Audit Zero-tolerance of fraud Disciplinary procedures		Anti-fraud and corruption policies and procedures to be reviewed, taken to Audit Committee for noting and communicated to staff.  Who: Audit Manager  When: by March 2022
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b>  <i>Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</i></p>				
<b>Openness</b>	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.	Annual Report  Statement of Accounts  Rights of inspection/ questions to the Auditor		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
		Freedom of Information Act  Council Publication Scheme  Open Data compliance with transparency requirements Council's values Extensive information made available on council website  Compliance with GDPR regulations		
	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.	Record of decision making and Minutes made publicly available  Public participation section at meetings  Council meetings are filmed and made available to the public via the website  Very few decisions taken in private and only where legally required - default position is for decisions to be taken in public  Key corporate policy/ strategy documents made available on website		
	Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact	Decision making protocols  Corporate report templates with defined sections on various implications (e.g. legal, financial, equalities)		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	and consequences of those decisions are clear.	<p>Records of decisions taken (Minutes) and advice provided (Reports)</p> <p>Questions and discussion between Councillors and Officers presenting reports to ensure the information needs of members are met to help support their decision making</p> <p>Deferral of items where further information or clarification is required before making a decision</p> <p>Calendar of dates for submitting, publishing and distributing timely reports</p> <p>Calendar of meetings published on website</p> <p>Call in process is followed as required</p>		
	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.	<p>Complaints and Feedback processes</p> <p>Numerous generic/strategic surveys including Viewpoints Surveys/ COVID survey/annual Budget Consultation</p> <p>Subject specific consultations - e.g. Local Plan, Council Tax Support</p> <p>Use of press and social media - e.g. extensive information and advice during and post major incidents such as flooding</p>		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned	
<b>Engaging comprehensively with institutional stakeholders</b>	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.	<p>Represented at Worcestershire Leaders Board</p> <p>Membership of other key regional and sub-regional bodies including both the GBSLEP and WLEP.</p>	Green		
	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.	Multiple partnership arrangements in place e.g. with town and parish Councils, PSP LLP			
	<p>Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> <li>• trust</li> <li>• a shared commitment to change</li> </ul> <p>• a culture that promotes and accepts challenge among partners</p> <p>and that the added value of partnership working is explicit .</p>	<p>Approvals to key partnership arrangements</p> <p>Partnership governance arrangements</p> <p>Reviews of effectiveness</p> <p>Performance Management system</p> <p>How are we doing? Performance Updates to Overview and Scrutiny Committee</p>			
<b>Engaging stakeholders effectively, including individual citizens and service users</b>	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.	<p>Our corporate values include honesty and to be supportive</p> <p>Record of business and public consultations</p> <hr/> <p>User groups and forums</p> <p>Regulatory compliance (e.g. changes to local scheme of Council Tax Support)</p>	Green		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.	<p>Regular review of communications approaches and methods by Directors and Communications Team</p> <p>Fostering a culture for staff at all levels to deal directly with members of the public</p> <p>Information proactively provided to members about their wards and local issues</p> <p>Parish Council Forums a valuable tool in promoting community engagement</p> <p>Close links developed with parish and town councils</p>		
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.	<p>Subject specific consultation exercises</p> <p>Use of social media Life in Wyre Forest Survey Friends' Groups Strategic needs assessment (e.g. Housing, Planning, Transport)</p>		
	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.	Complaints Procedure Use of social media Reports on outcomes		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.	Consultation approach  Consideration of hard to reach groups e.g. disabled and dementia groups		
	Taking account of the interests of future generations of taxpayers and service users.	Implications of decisions set out in reports  Sustainability considerations form part of the Council's strategic objectives and core values. Financial viability appraisals methodology includes whole life costings. 10 year capital programme and longer-term Capital Strategy.		
<p><b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b> <i>The Long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</i></p>				
<b>Defining outcomes</b>	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.	Council Corporate Plan Various other service related plans and strategies		
	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.	Corporate and Service Plans  Corporate Leadership Team Horizon Scanning		

**Good Governance Matrix: Reviewed January 2020**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
	Delivering defined outcomes on a sustainable basis within the resources that will be available .	Monitoring and reporting arrangements  Action Plans		
	Identifying and managing risks to the achievement of outcomes.	Corporate Risk Register  Established risk management arrangements		
	Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.	Service Standards  Budget process/ resource allocation linked to corporate priorities  Annual external audit and Value for Money		
<b>Sustainable economic, social and environmental benefits</b>	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.	Capital programme - resource allocation  Capital Strategy linked to corporate objectives  Part of considerations in Strategic Planning & Service Planning		
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints .	Local Plan Neighbourhood Plans Policies and action plans developed covering defined period of time ahead  Discussion between members and officers on the information needs of members to support decision making  Record of decision making and supporting materials		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.	Record of decision making and supporting materials  Arrangements for public consultation		
	Ensuring fair access to services.	Customer Service Charter  Equality Impact Assessments  Access to translation services  Information formats - scope to vary provision		Customer Service Charter reviewed May 2021 – no amendments required  EIA are carried out when alterations to services affecting users take place  Translation & Interpretation Services available upon request  Reviewed annually
<p><b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b>  <i>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.</i></p>				
<b>Determining interventions</b>	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore, ensuring best value is achieved however services are provided.	Discussion between members and officers on the information needs of members to support decision making  Decision making protocols (Council Constitution)  Option appraisals - reports setting out information and		Review of Council Constitution to be undertaken following Election.  Who: CLT  When: May each year

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
		recommended course of action  Agreement of information that will be provided and timescales		
	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.	Financial strategy  Medium-term financial strategy  Partnership working with local Town and Parish Councils  Regular strategic and subject specific Surveys  Transfer of services and facilities		Consider how we can consult the public more on provision and quality of services  Who: CLT and Comms/Financial Services Manager for MTFS  When: Annually
<b>Planning interventions</b>	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.	Established reporting cycles and timescales  Corporate Performance and Financial monitoring framework  Use of Pentana Performance Management system to track progress on service plan actions  Reports to Committees		
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.	Corporate and Service planning framework  Consultation with service users  Regular strategic and subject specific Surveys  Staff Team meetings and surveys  Consultation with trade unions		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	Considering and monitoring risks facing each partner when working collaboratively including shared risks.	Established monitoring arrangements Risk management framework		
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances .	Established monitoring arrangements Service Planning framework including regular reviews and reporting  Decision-making protocols with parameters for delegated action		
	Establishing appropriatekey performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.	Established basket of Key Performance Indicators  Quarterly reporting to Committees  Use of Pentana system for recording/ monitoring		
	Ensuring capacity exists to generate the information required to review service quality regularly .	Performance Officerpost established to coordinate corporate activity  Established reporting framework with defined timescales  Reports include detailed performance results and highlight areas where corrective action is necessary  Reports to Corporate Leadership Team, Cabinet/CLT and Committees		
	Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.	Corporate and Service planning framework  MTFs developed and maintained showing position over 3 year rolling period		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.	Budget development framework and guidance  MTFs  Corporate plans		
<b>Optimising achievement of intended outcomes</b>	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.	MTFP arrangements well established  Financial Strategy Subject to regular review Link to horizon scanning to understand future resource/ funding issues and opportunities		
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term .	Budget framework  Community engagement on specific matters  Parish Forums		Consider how we can consult the public more on provision and quality of services  Who: Corporate Director: Resources/Financial Services Manager When: Dec. 2021/annually
	Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.	Financial Strategy and MTFS maintained under review in response to changing factors both internal and external (e.g. Local Govt Finance Settlement, 100% retention of business rates)		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
	Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".	Corporate Procurement arrangements  Contract Procedure Rules		Review corporate procurement arrangements  Who: Financial Services Manager  When: June 2021
<p><b>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>  <i>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</i></p>				
<b>Developing the entity's capacity</b>	Reviewing operations, performance, use of assets on a regular basis to ensure their continuing effectiveness.	Corporate & Service Planning framework Performance & Financial monitoring Capital Strategy Workforce Planning Service reviews		
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.	Utilisation of PSAA Value for Money profiles  Limited use of benchmarking		More consistent and corporate approach to benchmarking required - options to be considered  Who: Chief Executive/CLT  When: April 2021 – onwards as part of budget transformation workstreams

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
	Recognising the benefits of partnerships and collaborative working where added value can be achieved .	Significant use of partnerships and collaborative working e.g.  PSP LLP  Parish and Town Councils		
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources .	Workforce Plan  Organisational Development Strategy  Learning and Development Strategy		
<b>Developing the capability of the entity's leadership and other individuals</b>	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.	Protocol on Councillor/ Officer relationships  Council Constitution  The Role of a Councillor guidance  Corporate Leadership Team and WF20		Review of Council Constitution to be undertaken following Elections.  Who: Solicitor to the Council  When: May each year
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.	Council Constitution  Scheme of Delegation Financial Regulations and Contract Procedure Rules  Budget Policy Framework		Review of Council Constitution and code of conduct for councillors to be undertaken following Election.  Who: Corporate Director  When: May each year

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	<p>Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.</p>	<p>Council Constitution</p> <p>Councillor/ Officer protocol Role of Leader Role of CEO (as Head of Paid Service)</p>		<p>Review of Council Constitution to be undertaken following Election.</p> <p>Who: Chief Executive and Monitoring Officer/Solicitor to the Council</p> <p>When: May each year</p>
	<p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.</li> <li>• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</li> <li>• ensuring personal, organisational and system-</li> </ul>	<p>Access to training and development</p> <p>Attendance at courses, seminars, conferences</p> <p>Cabinet/CLT Meetings</p> <p>Access to LGA Briefings and other sources of information on new legislation etc.</p> <p>Induction programme</p> <p>Training and development plans for councillors and officers</p> <p>Support/ access to LGA Councillor Development programme</p> <p>Training and Briefing sessions</p> <p>Peer reviews External Audit feedback Internal Audit reviews</p> <p>Audit Committee</p>		<p>Annual review and update of the training and development plan for councillors.</p> <p>Who: Chief Executive and Monitoring Officer/Solicitor to the Council with other CLT members</p> <p>When: Annually</p>

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.			
	Ensuring that there are structures in place to encourage public participation.	Public participation scheme Open access to meetings  Council meetings are filmed and made available to the public via the website  Published calendar of meetings Various strategic and subject specific surveys		
	Taking steps to consider the leadership 's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.	LGA Peer review  Training and development support		
	Holding staff to account through regular performance reviews which take account of training or development needs.	Training and development plan  Staff development plans linked to appraisals Competency framework Suite of HR policies - subject to periodic review		
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.	Annual Health and Well- being programme  Work/Life balance policy  Various other HR policies including management of stress and sickness		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self-assessment (Red, Amber Green)	Further Actions Required/ Planned
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p><i>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</i></p> <p><i>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.</i></p> <p><i>It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery . Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</i></p>				
<p><b>Managing risk</b></p>	<p>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</p>	<p>Risk management framework Risk implications section in reports</p> <p>Corporate Risk Register management by CLT with assigned risk owners across services</p>		
	<p>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively .</p>	<p>Corporate risk management strategy/ policy</p>		
	<p>Ensuring that responsibilities for managing individual risks are clearly allocated.</p>	<p>Corporate risk management strategy/ policy</p>		
<p><b>Managing performance</b></p>	<p>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</p>	<p>Schedule of Measures established and formally reported on/ published externally in How are we doing? Performance Update reports to overview and Scrutiny Committee.</p> <p>Service benchmarking information used as appropriate Quarterly reporting on performance to Management Team and Overview and Scrutiny Committee</p>		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	<p>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.</p>	<p>Discussion between members and officers on the information needs of members to support decision making</p> <p>Publication of agendas and minutes of meetings</p> <p>Calendar of meetings published - timescales defined for publication of reports in advance of meetings</p> <p>Corporate report templates include consideration of financial, policy, risk implications amongst others</p>		
	<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible .</p>	<p>Council Constitution Overview and Scrutiny Committee and Strategic Review Panel</p> <p>Each has approved terms of reference</p> <p>Call in procedures for Cabinet decisions</p> <p>Report to each Council meeting on work of Overview and Scrutiny Committee</p>		<p>Review of Council Constitution and code of conduct for councillors to be undertaken annually</p> <p>Who: Solicitor to the Council</p> <p>When: Annually for May AGMs</p>
	<p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</p>	<p>Well established corporate and service monitoring framework</p> <p>Group Leader briefings before each Cabinet Meeting.</p> <p>How are we doing? Performance Management report to Overview and Scrutiny Committee</p>		
	<p>Ensuring there is specification stages (such as budgets) and post</p>	<p>Guidance on Final Accounts and Budget Process produced by Finance Team together with monitoring/ reporting arrangements</p>		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	implementation reporting (e.g. financial statements).	Financial regulations and standing orders		
<b>Robust internal control</b>	Aligning the risk management strategy and policies on internal control with achieving the objectives.	Risk management strategy  Audit plan (Annual plus addendums as appropriate) Audit reports		
	Evaluating and monitoring the authority's risk management and internal control on a regular basis.	Risk management strategy/ policy  Annual review of effectiveness of internal control  Annual assurance statements prepared by service mgmt.  Annual Governance Statement		
	Ensuring effective counter fraud and anti-corruption arrangements are in place.	Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) - suite of policies linked to this - all published on council website  Policies subject to periodic monitoring, review and reporting to Audit Committee for approval Effectiveness reviewed annually		Separate single subject report planned for 2021-22 municipal year so report to Audit Committee  Who: Audit Manager  When: by March 2022
	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.	Annual governance statement Annual Internal Audit Assurance Report  Effective internal audit service is resourced and maintained: compliance with the UK Public Sector Internal Audit Standards  Review of effectiveness undertaken annually		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.</li> <li>• that its recommendations are listened to and acted upon.</li> </ul>	<p>Audit committee appointed by the Council</p> <p>Established with reference to requirements of CIPFA guidance: <i>Audit Committees: Practical Guidance for Local Authorities and Police</i> {CIPFA, 2018 edition}</p> <p>Membership includes independent member appointed for independent review/perspective</p> <p>Terms of reference defined in Constitution</p> <p>Effectiveness reviewed annually as part of AGM process and AGS preparation</p>		
<b>Managing data</b>	<p>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</p>	<p>Data management framework and procedures</p> <p>Designated data protection officer</p> <p>Data protection policies and procedures</p> <p>PCI/DSS compliance for processing payments data</p>		<p>GDPR Action Plan being delivered with regular monitoring via the ICT Strategy Board and Information Governance sub Working Group and Corporate Leadership Team</p> <p>Who: ICT Strategy Board When: quarterly meetings</p>
	<p>Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</p>	<p>Data sharing agreement/ protocols (e.g. DWP, VOA)</p> <p>Data processing agreements with RBC for payroll</p>		
	<p>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</p>	<p>Corporate Performance Management and Data Quality Strategy and procedures</p> <p>Data validation checks/ procedures</p>		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
<b>Strong public financial management</b>	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.	Financial support linked to service structure Budget monitoring framework Capital Strategy and Capital Portfolio Strategy/Development Loan Strategy Project support/multi-disciplinary membership of teams		
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.	Budget development and monitoring framework  S151 if Corporate Director on CLT  All reports must consider financial implications Good links between finance team and services Internal Audit		
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>  <i>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</i></p>				
<b>Implementing good practice in transparency</b>	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	Emphasis on 'plain English'  Reports, agendas and minutes are published on council website  Publication of Annual Report Defined standards for council publications		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand .	Feedback from councillors  Consider reducing use of technical jargon (unable to avoid sometimes)  Use of glossary or executive summary		
<b>Implementing good practices in reporting</b>	Reporting at least annually on performance, value for money and the stewardship of its resources.	Publication of annual report  Publication of Annual Statement of Accounts including Annual Governance Statement  Publication of Audit Findings report from external auditor  All above documents publicly available on council website		
	Ensuring members and senior management own the results.	Financial procedures and framework include accountability arrangements key part of Constitution Key decisions reported to Councillors for approval (e.g. budget outturns, use of reserves, budget setting)		
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for	Process for producing the Annual Governance Statement (AGS)  Various forms of assurance involving Councillors and senior management		

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	improvement and evidence to demonstrate good governance (annual governance statement) .	AGS approved by CLT presented to the Audit Committee prior to formal submission for approval by the Audit Committee each year		
	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.	Forms part of annual AGS process to determine the extent to which this is applicable		
	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.	Process for completion of the accounts is well- established and subject to annual review  Performance information features more now as part of the Narrative Report that forms part of the annual Statement of Accounts		
<b>Assurance and effective accountability</b>	Ensuring that recommendations for corrective action made by external audit are acted upon.	Report and recommendations presented to Audit Committee  each year - follow up actions progressed in subsequent year		
	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.	Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010) – December 2013 Recommendations have informed positive improvement - status monitored & reported to the Audit Committee		Refresh to revised 2019 Code update planned for 2021-22 municipal year  Who: Audit Manager  When: by March 2022

**Good Governance Matrix: Reviewed May 2021**

Principles of good governance	Sub-principles and behaviours and actions that demonstrate good governance in practice	Examples of systems, processes, documentation and other evidence demonstrating compliance	Self- assessment (Red, Amber Green)	Further Actions Required/ Planned
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations .	Council requested LGA led Peer Review in March 2017  Action plan developed post review and monitored thereafter  Follow up visit by review team Feb 2019 - good progress made		
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.	Framework for developing the AGS		
	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.	Considerations form part of financial procedure rules and monitoring arrangements  Approval required for Council to take on accountable body status		

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE****26<sup>th</sup> MAY 2021****INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2020/21**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Councillor Mary Rayner: Finance and Capital Portfolio
<b>RESPONSIBLE OFFICER</b>	Tracey Southall, Extension 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 - Internal Audit Annual Assurance Report – 2020/21

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Annual Assurance Report for 2020/21

**2. RECOMMENDATIONS**

- 2.1 **The Audit Committee is asked to APPROVE the Internal Audit Annual Assurance report for 2020/21 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
- 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 affect 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 2020/21 together with those of the previous year are as follows:

		KEY SYSTEMS Assurance Level			SUBSIDIARY SYSTEMS Assurance Level			
		Full	Some	Limited	Full	Some	Limited	TOTAL
2019~20	Number	17	3	0	0	0	0	20
2020~21	Number	14	1	0	0	0	0	15

- 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 2020/21 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 timelier 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 30<sup>th</sup> 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 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 26<sup>th</sup> 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 26<sup>th</sup> November 2018.
- 4.13 The COVID-19 pandemic and consequent Government lockdown announced on the 20<sup>th</sup> March 2020, impacted on the work of the internal audit team during the financial year 2020/21. The Audit Committee approved the operational Annual Audit plan 2020/21 in March 2020. The internal audit plan was revised in recognition of the COVID-19 pandemic and at its meeting of 22<sup>nd</sup> July 2020, the Audit Committee approved an addendum to the 2020/21 operational internal audit plan, which identified those key areas where it was anticipated that the scope of the internal audit work would vary. Appropriate measures were put in place to mitigate the risk of the potential impacts of the pandemic on key aspects of Governance including homeworking and remote meetings. This has been reflected in the Annual Governance Statement for 2020/21 and whilst it has been challenging, it has not adversely impacted on this Assurance Report. As part of this process, the Internal Audit Team were migrated to home working successfully and the continuation of service provision was seamless.

## **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,*  
*(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 2020/21 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 22<sup>nd</sup> July, 28<sup>th</sup> October 2020 and 24<sup>th</sup> March 2021. This assists with the maintenance and development of the council's internal control environment.
- 7.5 The COVID-19 pandemic and revised working arrangement changed the risk profile of assurance work for 2020/21 as referenced within the attached appendix. The Internal Audit Team maintained a pragmatic approach with the knowledge that some areas/risks remained high priority or even became higher priority whilst COVID-19 response activities took precedent.
- 7.6 The Internal Audit Team continued to support and focus on the current and future risks across the whole internal control environment that arose with the Council operating under COVID-19 restrictions. This allowed internal audit to contribute to proposed changes often where the greatest benefit and value could be added, by being receptive, proactive and responsive and be in a position to provide the Audit Committee with assurance that the Council's control environment operates well during periods of stress and implementation of Business Continuity Plans.

**8. EQUALITY IMPACT NEEDS ASSESSMENT**

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

**9. CONCLUSIONS**

- 9.1 The Annual Report 2020/21 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.

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- 9.2 This opinion is based on the work undertaken by the Internal Audit Team in accordance with the approved 2020/21 Annual Audit Plan. The 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 2020/21.
- 9.4 A review of the effectiveness of internal audit for the financial year 2020/21 has been undertaken in accordance with current guidelines.

### **10. CONSULTEES**

- 10.1 Corporate Leadership Team
- 10.2 Cabinet Member for Finance and Capital Portfolio

### **11. BACKGROUND PAPERS**

- 11.1 22<sup>nd</sup> July 2020 ~ Audit Committee ~ Addendum to Internal Audit Plan 2020~21
- 25<sup>th</sup> March 2020 ~ Audit Committee ~ Internal Audit Annual Plan 2020~21
- 28<sup>th</sup> November 2018 ~ Audit Committee ~ Quality Assurance & Improvement Programme
- 30<sup>th</sup> July 2018 ~ Audit Committee ~ Internal Audit Charter {Updated}
- Accounts and Audit Regulations 2015 {SI 234}
- Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

**WYRE FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT ANNUAL ASSURANCE REPORT – 2020/21**

**Internal Control Environment**

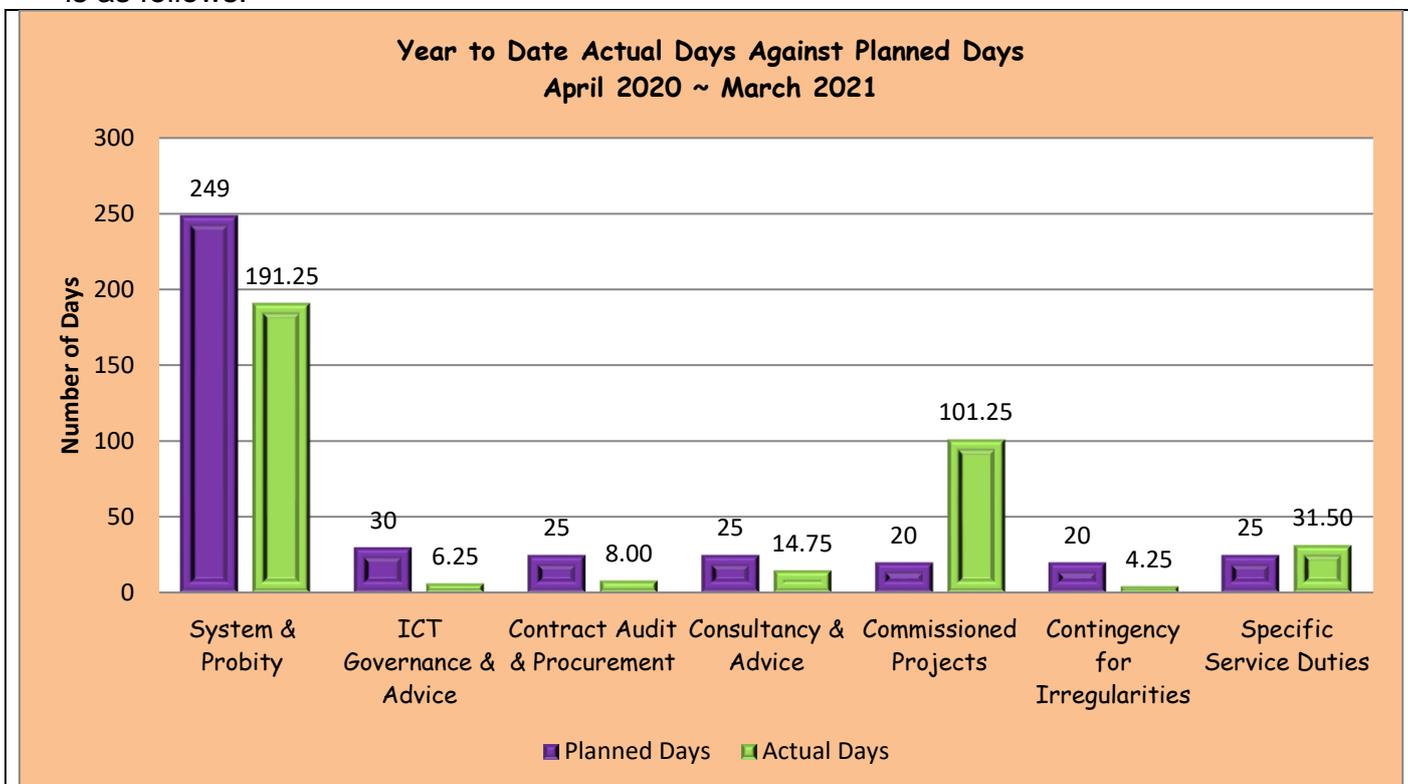
The Council’s Financial Procedure Rules (Financial Regulations) state that it is the responsibility of Service Managers to ensure that there are controls in place for every system under their management. These internal controls include those to prevent and detect fraud in accordance with the Council’s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

The work of the Internal Audit Section relating to the financial year ended 31<sup>st</sup> March 2021 has been undertaken in accordance with the approved Internal Audit plan 2020/21. 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 regular monitoring quarterly reports on the 28<sup>th</sup> October 2020, 20<sup>th</sup> January and 26<sup>th</sup> May 2021. These reports include a summary of the work undertaken in each quarter.

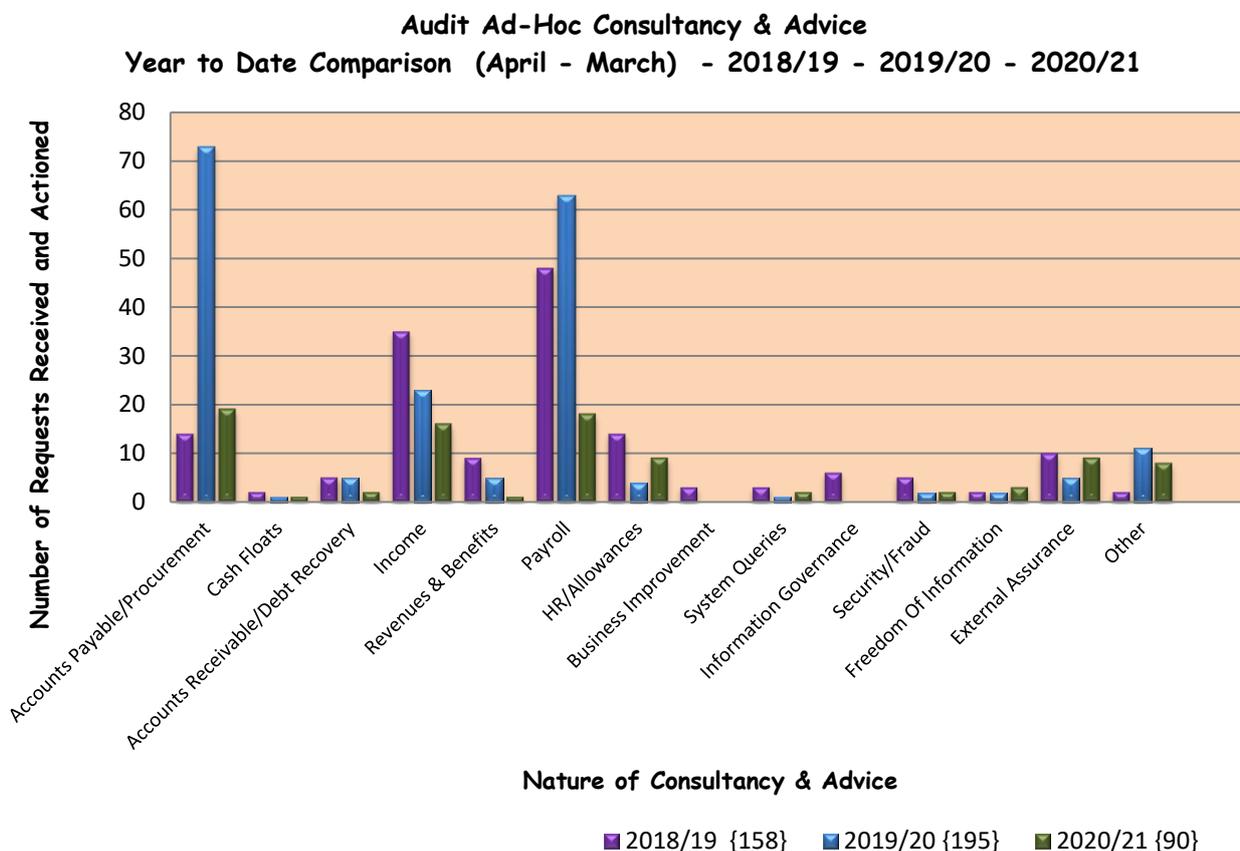
The internal control weaknesses identified from final and draft reports relating to the 2020/21 financial year have been considered in the preparation of this annual report. Where control weaknesses were identified, Management action plans are in place and are subject to ongoing review.

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



<u>Actual Days</u>	<u>Planned Days</u>	<u>% of Plan</u>
<b>357.25</b>	<b>394</b>	<b>90.7%</b>
<b>TARGET</b>		<b>95.0%</b>

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 2020/21, 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 2020/21 financial year it is the opinion of the Audit Manager, that the Council’s internal control environment and systems of internal control as at 31<sup>st</sup> March 2021 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. The implementation has been subject to reviews as considered by the Audit Committee. 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 and Role of the Head of Internal Audit in Public Sector Organisations. 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 2020/21 and 90.7 % of this plan has been completed by April 2021. Internal Audit reports have been reported to members of the Council's Corporate Leadership Team and the Audit Committee. Following a mini restructure of the Internal Audit Team in 2019/20, the audit team remained unchanged for 2020/21. The approved Audit Plan is a statement of intent and has been subject to monitoring throughout the year. Those audits considered to be of highest priority as approved within the addendum to the 2020/21 internal audit plan which identified those key areas where it was anticipated that the scope of the internal audit work may/would vary in light of the COVID-19 pandemic have been completed and reported upon.

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 30<sup>th</sup> 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 26<sup>th</sup> 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.

### **Corporate Issues**

During 2020/21, 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.

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

## Agenda Item No. 11 – Appendix 1

private sector bodies to prevent and detect fraud with the 2020/21 programme of work, for which required data sets were submitted to the Cabinet Office in respect of Trade Creditors, Taxi Licences, Payroll and Housing Benefit Claimants. As part of the 2020/21 programme, additional data sets have been submitted to cover COVID-19 grant recipients in respect of the first national lockdown from 23<sup>rd</sup> March 2020. Data required covered the grant schemes for Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and Local Authority Discretionary Fund.

In addition, during the year, 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.
- ➔ advised and supported the Finance Team and Car Parking Team in respect of the Residents Parking Scheme to ensure all controls were in place.

### 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. Whilst there were no commissioned consultancy engagements for 2020/21, the financial year 2020/21 has been a challenging one across all service areas, and within the Internal Audit Team, time has been allocated to support the work of the Revenues and Benefits Teams by undertaking detailed post assurance payment checks to cover the grant funding provided by central government during the COVID-19 pandemic.

### COVID-19

	Grant Scheme	No. of grants paid	Total £	No. of grants tested
01	Mandatory Business Support Grants	1815	21,605,000.00	383
02	Discretionary Business Support Grants	157	1,055,000.00	157
03	LRSB (Closed) Addendum	690	1,099,022.00	235
04	LRSB (Closed) 02.12.2020 onwards	28	26,009.00	28
05	LRSB (Sector)	3	2,714.28	3
06	CSP Wet Led Pubs	44	44,000.00	42
07	NWEDR ARG November 2020	86	184,103.00	50
08	LRSB (Open)	126	154,140.72	73
09a	Closed Business Lockdown Payment	713	3,398,000.00	1
09b	LRSB (Closed) Addendum 05.01.21 onwards	713	1,699,518.00	110
10	LRSB (Closed) 31st Dec- 4th January 2021	114	34,829.20	48
11	ARG from 05.01.2021	276	853,817.00	3
12	LRSB (Closed) from 16.02.2021	691	1,706,967.00	1
		<b>4609</b>	<b>31,863,120.20</b>	<b>1134</b>

### A: National Lockdown 23<sup>rd</sup> 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.

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- 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 4<sup>th</sup> November – 2<sup>nd</sup> December 2020**

The work of the Internal Audit Team continued in light of government guidance on further national lockdowns and tier restrictions on those businesses mandated to close during specific time periods. Additional post assurance testing was completed by the Internal Audit team to cover Local Restrictions Support Grants for the lockdown period of 4<sup>th</sup> November to 2<sup>nd</sup> December 2020 to ensure that the business was operating and open to the public up to and including 4<sup>th</sup> November 2020, and mandated to close from that date.

### **C: Tier Restrictions ~2<sup>nd</sup> December 2020**

Following the move into Tier Restrictions from 2<sup>nd</sup> December, Internal Audit completed further detailed checks on grant payments awarded to businesses from 2<sup>nd</sup> 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: Tier Restrictions ~ 31<sup>st</sup> December 2020~4<sup>th</sup> January 2021**

Following the move into Tier Restrictions from 31<sup>st</sup> December, Internal Audit completed further detailed checks on grant payments awarded to businesses mandated to close the audit testing ensured that each business received a grant payment in accordance with their rateable value to cover the specific 5-day period, and also covered Christmas Support Payments {Wet-Led Pubs} and Additional Local Restriction Support Grants {Sector} for those business required to close nationally since 23<sup>rd</sup> March 2020 and have subsequently been unable to open since that date.

### **E: Local Restriction Support Grants ~ Lockdown 5<sup>th</sup> January {ongoing}**

Continued post assurance testing was completed by the Internal Audit team to cover Local Restrictions Support Grants for the lockdown which commenced on 5<sup>th</sup> January 2021 for eligible businesses {non-essential retail, leisure, personal care, sports facilities and hospitality premises} required to close from 6<sup>th</sup> January 2021.

Post payment assurance testing was also completed on discretionary support grants for those businesses not captured by the mandatory schemes and/or not separately identified on the rating lists but incur property costs for trading within the district and subject to tier and national lockdown restrictions.

### **F: Track & Trace**

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

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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.

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 Cyber Security and Information Governance 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 Unity Park {Frenco} site at Silverwoods.

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***

13<sup>th</sup> May 2021

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**  
**WEDNESDAY 26<sup>th</sup> MAY 2021**

**ANNUAL GOVERNANCE STATEMENT**

<b>CABINET MEMBER</b>	Councillor Mary Rayner, Cabinet Member for Finance and Capital Portfolio
<b>DIRECTOR</b>	Corporate Director: Resources Ext 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Annual Governance Statement 2020/21

**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 25<sup>th</sup> March 2020.
- 3.4 For the 2020/21 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, particularly in relation to the COVID-19 Pandemic.
- 4.3 The impact of the Covid-19 pandemic, potential impacts on key aspects of Governance including homeworking and remote meetings, and the revised External Audit approach to take account of this. This has been reflected in the Annual Governance Statement for 2020/21 in Appendix 1.
- 4.4 In late October 2019 CIPFA issued a Financial Management Code (FM Code) which provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively. The first full year of compliance is 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the code and could use 2020/21 to demonstrate how they are working towards compliance. The FM Code requirement and key actions identified in the separate report on this agenda to progress the Council's level of compliance is referenced in the proposed Annual Governance Statement in Appendix 1.
- 4.5 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.
- 4.6 The draft Annual Governance Statement for 2020/21 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.

- 7.2 Measures were put in place to mitigate the risk of the potential impacts of the COVID-19 pandemic on key aspects of Governance including homeworking and remote meetings. This has been reflected in the Annual Governance Statement for 2020/21 in Appendix 1.
- 7.3 Whilst the COVID -19 pandemic delayed work to collate evidence of compliance with the new FM Code, risk is mitigated by the fact that it is substantially predicated on processes and actions we already undertake. The separate report on this meeting's agenda sets out the detail in relation to these requirements.

## **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 26<sup>th</sup> May 2021. This will be reviewed by Grant Thornton as part of the external audit process and any revisions reported to September Audit Committee.

## **9. CONSULTEES**

- 9.1 Corporate Leadership Team  
9.2 Leader of the Council and the Cabinet Member for Finance and Capital Portfolio

## **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 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
- 10.5 CIPFA Financial Management Code
- 10.6 Guidance - CIPFA Bulletin 06
- 10.7 National Audit Office Code of Practice April 2020
- 10.8 SI 263 The Accounts and Audit (Amendment) Regulations 2021

**Why we have prepared this Annual Governance Statement (AGS) 2020-21?**

- 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 a sound system of governance and has complied with its local requirements in 2020-21
- To demonstrate our achievements and help us to be more effective and take action to improve
- To indicate the impact of Covid-19 on our governance arrangements and how we have responded to the pandemic.

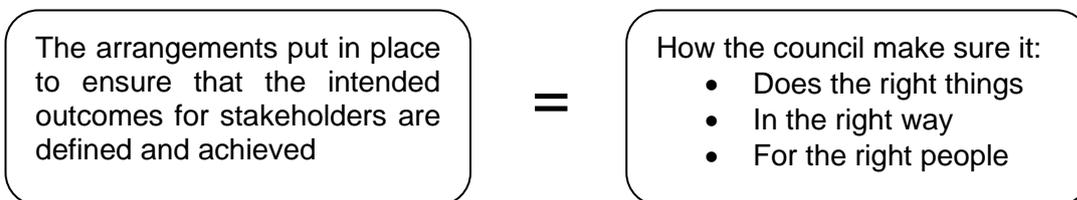
**What is the Annual Governance Statement?**

Legislation requires local authorities to prepare and publish an Annual Governance Statement, in order to report publicly 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 of the effectiveness of Wyre Forest District Council's governance framework for 2020-21 (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](http://www.wyreforestdc.gov.uk) or can be obtained by contacting The Hub, Green Street, Kidderminster DY10 1HA. 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.

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GOVERNANCE PRINCIPLES		INTERNAL CONTROLS
<ul style="list-style-type: none"> <li>➤ Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</li> <li>➤ Members and officers working together to achieve a common purpose with clearly defined functions and roles</li> <li>➤ Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</li> <li>➤ Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</li> <li>➤ Developing the capacity and capability of members and officers to be effective</li> <li>➤ Engage with local people and other stakeholders to ensure robust public accountability</li> </ul>	 <p>The governance framework has been in place at Wyre Forest District Council for the year ended 31<sup>st</sup> March 2021 and up to the date of approval of the statement of accounts.</p>	<p><b>INTERNAL CONTROLS</b></p> <p><b>Leadership, Culture and Planning</b> Organisational goals and priorities Strategic and operational plans Performance management Medium term financial strategy</p> <p><b>Statutory Officers &amp; Decision Making</b> The Constitution The Monitoring Officer Section 151 Officer</p> <p><b>Policies &amp; Procedures</b> 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><b>People, Knowledge, Finance, Assets</b> Robust HR practices Robust Internal Audit function Information governance Performance monitoring and improvement Financial management and reporting Ethical &amp; legal practices</p> <p><b>Scrutiny and Transparency</b> 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><b>Partnership Working/Stakeholder Engagement</b> 'Love to get involved' 'Let us know' Consultations Community Localism fund</p>

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**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 item 9 of the Audit Committee Officer Decision 24<sup>th</sup> March 2021 on our website [http://www.wyreforest.gov.uk/council/docs/doc56491\\_20210324\\_audit\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc56491_20210324_audit_agenda.pdf)

Regular reviews are carried out by the Corporate Leadership Team, including during March and again in May 2021. These reviews take into account:

- the Internal Audit Annual Assurance report from the Audit Manager for 2020-21, 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 which was reported to the Audit Committee on 28<sup>th</sup> October 2020 and the Annual Audit Letter including key messages on the 20<sup>th</sup> January 2021.

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- The impact of the Covid-19 pandemic, potential impacts on key aspects of Governance including homeworking and remote meetings, and the revised External Audit approach to take account of this.

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. A review of the governance arrangements was undertaken and reported to Council on the 26<sup>th</sup> February 2020. No change was approved, so the Cabinet and Scrutiny Systems remain.

[http://www.wyreforest.gov.uk/council/docs/doc55603\\_20200226\\_council\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc55603_20200226_council_agenda.pdf)

Membership of the Audit Committee has included an Independent Person since 2019-20. May 2019 Council approved a number of minor governance amendments including the creation of a Strategic Review Panel that has operated since 2019-20. The Panel performed an advisory role on a range of issues including policy development on the latest Corporate Plan. It also considered the Cabinet's proposals for the Medium-Term Financial Strategy for 2021-2024 and budget options, to inform the Cabinet's proposed strategy and budget and for the meetings in February and March 2021 in respect of any alternative budget proposals.

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. Reviews of progress against the Annual Governance Statement and Corporate Risk Register Reviews were considered by the Committee on the 24<sup>th</sup> March 2021. Progress against the External Auditor's key messages included in the Annual Audit Letter as reported to the Audit Committee on 20<sup>th</sup> January 2021 was considered on the 26<sup>th</sup> May 2021. The extended membership of the Audit Committee to include an Independent Person as a non-voting member provides an injection of an external view and brings a new perspective and flavour to the Committee.

### **The impact of Covid-19**

An Extraordinary Council Meeting on 21<sup>st</sup> April 2020 made a number of changes to the Constitution required to take into account the impact of the Covid-19 pandemic on Council business, in particular on decision making, including the ability to undertake Council meetings remotely.

[http://www.wyreforest.gov.uk/council/docs/doc55769\\_20200421\\_extraordinarycouncil\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc55769_20200421_extraordinarycouncil_agenda.pdf)

These timely updates ensured it remained up to date with Regulations and fit for purpose to meet ongoing business need despite national emergencies. A further Extraordinary Council meeting on 21<sup>st</sup> April 2021 approved the extension to 31<sup>st</sup> July 2021 of temporary changes to the Constitution to allow the continuation of the ability to hold remote meetings to facilitate timely decision making

[http://www.wyreforest.gov.uk/council/docs/doc56566\\_20210421\\_extraordinarycouncil\\_agenda.pdf](http://www.wyreforest.gov.uk/council/docs/doc56566_20210421_extraordinarycouncil_agenda.pdf)

In addition to the changes to the Constitution, the Covid-19 pandemic has had/continues to have a significant impact on the Council in terms of financial sustainability, workload of key service delivery teams and of how employees work. The funding gap in 2023-24 has increased by circa £1m based on forecasts of lost income that will not recover and is not compensated for by MHCLG. To address this, the approved MTFS includes a fundamental programme of work to explore and implement more shared services, alternative service delivery options and other

planned transformation that will result in the Council becoming a smaller organisation. The annual Budget Council meeting was reconvened after a long meeting on the 24<sup>th</sup> February 2021 which did not result in an acceptable decision, to a further meeting on the 1<sup>st</sup> March 2021 where a

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revised proposal was approved; the main change being an earlier timeline for a Management Review.

### **The CIPFA Financial Management Code**

In December 2019, CIPFA published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management. 2020-21 was a shadow year for the FM Code and inevitably Covid-19 tested the financial resilience of the Council during the year before the April 2021 date for formal adoption. The report assessing compliance with the FM Code was considered by Audit Committee on the 26<sup>th</sup> May 2021. It is worthy of note that a significant part of the Code is based on our current activity and the assessment was based on existing reports, documentation, and process. The report concluded that overall, there is a high level of compliance but that there is room for continuous improvement in some areas. The significant areas for continuous improvement are included in the AGS Action Plan that follows.

### **Summary**

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 2020-21 Annual Audit Plan {revisited in July 2020 to update the audit scope for those areas where the internal audit work would vary taking account of the impact of Covid19}

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 30<sup>th</sup> 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. Recommendations/action points made have been progressed by the Audit Manager. Audit Committee on the 28<sup>th</sup> November 2018 approved a Quality Assurance Improvement Programme for the Internal Audit Service to enable an evaluation of the Internal Audit Service and its conformance to the standards, with an annual update to the Audit Committee as part of the annual report. The Internal Audit Plan 2020-21 approved at the March 2020 meeting also took into account the external review recommendations. An update on counter fraud arrangements for 2020-21 was also received at the October 2020 meeting providing members with detail on those areas managed by both the Compliance Officers and Internal Audit, evidenced by supporting national programmes for tackling fraud.

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 around continuous improvement included in the 2020-21 Action Plan. The follow-up Peer Review visit took place in February 2019

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and once again, feedback was very positive overall with relevant action learning points reflected in this 2020-21 Annual Governance Statement.

We have been informed by the sources noted above on the result of the review of effectiveness of the Governance Framework, that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework.

The key areas for improvement to be specifically addressed with action plans are outlined below, along with an update of the progress being made in implementing the actions to improve these areas.

**Significant Governance Issues for 2020-21**

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 2019- 20 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.

<b>Ref</b>	<b>Governance issue</b>	<b>Source</b>	<b>Actions to address the issue</b>	<b>Measures of success</b>	<b>Lead/s</b>	<b>Timescale</b>
1	<p><b>General – Significant Financial Challenges</b></p> <p>-Continue to maintain financial resilience by progression of the approved programme of work to close the funding gap approved as part of the 2021-24 Medium Term Financial Strategy. To move towards a fully balanced budget, taking into account the challenges of the Covid-19 pandemic and also proposed Funding Reform, noting the impact of “Brexit” and global economy volatility.</p> <p>-Potential shortfall on the delivery of savings to meet the circa £2.7m Funding Gap by 2023-24.</p> <p>-Managing ongoing Covid-19 budget pressures in line with the Government RoadMap to Recovery.</p> <p>-Full Compliance with CIPFA introduced a new Financial Management Code with Compliance from April 2021, 2020-21 being a shadow year</p>	<p>AGS 2019-20 as highlighted by the Corporate Leadership Team and reflected in MTFS</p>	<p>a) Progressing implementation of agreed major initiatives and projects, such as reviews of alternative service delivery models and management review set out in the medium-term financial strategy for 2021-2024.</p> <p>b) 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>c) To re-energise work around income generation, commercialisation and expenditure reductions post pandemic. 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>d) To continue with the Localism agenda to meet target savings in MTFS</p> <p>e) To progress actions as set out in the Report to Audit Committee on May 26<sup>th</sup> – most are around continuous improvement. These include the implementation of Budget Planner</p>	<p>a) Alternative service delivery reviews to be undertaken in accordance with timetable set out in the MTFS, savings achieved to programme.</p> <p>b) Balanced Medium-Term Financial Strategy (MTFS) for 2022-25 with progression of proposals for significant savings/cost reductions to close the increased funding gap from 2021-22.</p> <p>c) Cabinet/CLT to manage process of rebuilding income streams</p> <p>d) Successful creation of independent Bewdley Museum Trust; undertake negotiations with parish councils during 2021. Commence second round of negotiations with town councils.</p> <p>e) Improved compliance with FM Code including Improved more timely reporting – evidenced in Audit Ctte report</p>	<p>Corporate Director: Resources, Chief Executive, and whole Corporate Leadership team</p> <p>Cabinet/CLT</p> <p>CLT/Cabinet</p> <p>CLT/S151 and Financial Services Manager</p>	<p>April 2021 to February 2022, Management review to be implemented by April 2022, Early work on response to Covid-19 specific plans to close Funding Gap after easing of the restrictions</p> <p><i>by January 2022</i></p> <p>As set out in Localism timetable</p> <p>By March 2022 – Audit Ctte report May 2022</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
2	<b>Covid-19 – Recovery</b> Management of the recovery from impact of the Covid-19 impact on delivery operational services and also support services to ensure the Council continues to best meet business need.	Covid-19 Emergency	<p>Recovery Plan – reversion to the “new normal”. Reports to Cabinet/Council</p> <p>The Council is working closely with central government and the health service to support businesses and residents across the district including:</p> <ul style="list-style-type: none"> <li>Supporting businesses - Rate relief coupled with grants for businesses in the retail, hospitality, or leisure sector</li> </ul> <p>Discretionary Grant Schemes Hardship Fund</p> <ul style="list-style-type: none"> <li>Supporting residents – the Council is working with partners to proactively support rough sleepers. Residents who have serious underlying health conditions have been identified and there are processes in place to support this highly vulnerable group.</li> <li>Volunteering opportunities – an interactive map on the Council website provides details of local organisations that are assisting residents through COVID-19, the kinds of support they offer, and how to get in touch</li> </ul> <p>• Implementation of hybrid working across the workforce currently homeworking</p>	<p>Continuity of high standards of council services to the community</p> <p>Equitable distribution of government funding</p> <p>Effective hybrid working, freeing up of office space to allow for increased income generation/facilitate further options for Council buildings</p>	<p>CLT/Cabinet /WF20/Service Managers</p> <p>Revenues, Benefits and Customer Services Manager</p> <p>Corporate Director: EPP</p>	<p>Dependent on progression of Roadmap for easing of lockdown – within 6 months of end of restrictions. Report to July Council Within MHCLG timescales</p> <p>Hybrid working by Summer 2021 Business case for building options – during 2021-22</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
3	<p><b>Governance of Property and Loan Portfolios</b> to further progress the implementation of the policies for the Development Loans Fund of £10m and Capital Portfolio Fund of £26.5m. To continue to clarify with the wider public that the intended impact of these £36.5million policies is to support the Financial Strategy and the Corporate Plan priority to deliver a successful local economy rather than commercial investment particularly in light of pandemic impacts on property markets.</p>	<p>AGS 2017-18 MTFS 2019-22, endorsed by Peer Review</p>	<p>a) Continue to implement revised Capital Portfolio Fund Strategy as approved at February 2020 Council by making proposals for suitable investment opportunities and secure approval and implementation/acquisitions. Take action to protect income streams against the pandemic impacts.</p> <p>b) Continue to work with Finance Birmingham to source suitable further loan applicants and progress loan approvals.</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: Economic Prosperity and Place, Corporate Director: Resources, Solicitor to the Council</p>	<p>a) Portfolio budget fully spent by end March 2022</p> <p>b) By end 2022</p> <p>c) By end of 2021-22</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	<p><b>Information governance issues and non-benefit fraud</b>                      -utilising the Compliance Officer and Corporate Fraud Resource and separate Corporate Debt Recovery resources.                      Performance and impact of these resources to continue to be closely monitored and reported once the temporary “pause” as an impact of the pandemic passes.</p>	<p>Annual Governance Statement 2018-19</p>	<p>a) Cyber Security and Information Governance Sub-Group (of the ICT Strategy Board) to continue to meet regularly to progress actions</p> <p>b) Compliance Officers within the Revenues &amp; Benefits Section in post since March 2015. They are responsible for protecting and increasing the tax base through regular monitoring and reviewing council tax discounts and exemptions to ensure they are legitimately claimed. Additional work on potential fraud in relation to grant payments/claims in relation to Covid-19 will also be undertaken supported by Internal Audit in line with national guidance. 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) Regular reports activity in relation to Corporate Fraud (responsibility assigned to Internal Audit Team). These will include results of extra compliance work in relation to assurance on Covid-19 payments.</p>	<p>a) Information Governance is well managed with no breaches</p> <p>b) Income collected in terms of £s and % recovery rates</p> <p>c) Annual report to Audit Committee will assess success of Corporate Fraud service</p>	<p>Chief Executive, Corporate Director: Resources Revenues, Benefits &amp; Customer Services Manager</p> <p>c) Corporate Director: Resources/ Audit Manager</p>	<p>a) Ongoing consideration via Information Governance Sub-Group</p> <p>b) Monthly reporting of collections rates/amounts and half-yearly review of impact of extra resource for collection</p> <p>c) September Audit Committee for Fraud Update report</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	<p><b>Partnership and Engagement Governance issues</b>  Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may sign up to as part of its pursuit of innovative alternative service delivery solutions to unlock funding opportunities and generate revenue income streams. This includes Public Sector Partnership Wyre Forest LLP set up on the 22<sup>nd</sup> March 2017 and the approved Group structure for a Local Authority Trading Company (LATC), localism, joint operations and potentially devolution and combined authorities.</p> <p>Progression of the delivery of Future High Streets Fund project in partnership with a number of private sector partners and the MHCLG utilising the £20.5m external funding.</p>	<p>Annual Governance Statement 2018-19</p> <p>Corporate Risk Register</p>	<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 progressing suitable project development and allocating further 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>e) Project Board meets regularly and progresses in line with agreed timeline</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 delivers some tangible outcomes and progresses the first approved development for temporary accommodation</p> <p>d) Reports prepared for proposals for alternative service delivery models</p> <p>e) Progress to timetable, Government Office satisfied with progress</p>	<p>CLT – Corporate Director of Economic Prosperity and Place, author of Property LATC report, designated officers for PSP</p> <p>e) Corporate Director: EPP and Head of Economic Development Regeneration - North Worcs</p>	<p>a)/b) Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2021-22</p> <p>c) PSP deliver first approved development and utilised further during 2021-22</p> <p>d) LATC Group Structure utilised as appropriate</p> <p>e) 2024</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6	<p><b>ICT Resilience Governance Issues</b>                      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 plus further allocation of £653k                      GDPR –compliance                      Additional assurance for increased homeworking and remote meetings</p>	<p>Corporate Risk Register and ICT Strategy Board;                      ICT Security {Sub-Group}</p> <p>MTFS 2021-2024</p> <p>GDPR Legislation - effective date 25<sup>th</sup> May 2018</p> <p>Covid-19</p>	<p>a) Quarterly review of network security and cyber resilience; extra assurance/training for remote working/meetings</p> <p>b) ICT Strategy Board approvals</p> <p>c)Review of compliance by Cyber Security and Information Governance Sub-Group (of the ICT Strategy Board) to meet and support ICT Strategy Board; focus on cyber security business continuity plans and overall cyber security strategy.</p> <p>d) Risk assessments and review of security of hybrid working arrangements</p> <p>e) Monthly phishing and regular cyber training</p> <p>f) on-going improvement to infrastructure and system updates including patching, firmware updates etc</p> <p>g) annual penetration tests</p>	<p>a) PSN compliance, secure network;</p> <p>b) Work proceeds to timetable</p> <p>c) Review evidenced compliance</p> <p>d) Compliant risk assessments</p> <p>e, f and g) Cyber essentials accreditation</p>	<p>ICT Manager/                      Corporate Director:                      Resources</p> <p>Data Controller</p> <p>ICT Manager</p> <p>ICT Manager</p>	<p>Ongoing reports to ICT Strategy Board, and Cyber Security and Information Governance Sub- Group, Cabinet Members and Group Leaders</p> <p>Initial assurance work by end October 2021, ongoing risk assessments                      By February 2022</p>

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2020-21**

<b>Ref</b>	<b>Governance</b>	<b>Source</b>	<b>Actions to address the issue</b>	<b>Measures of success</b>	<b>Lead/s</b>	<b>Timescale</b>
7	Adoption of Local Plan	Corporate Risk Register	Ensure timely consultation on significant amendments required following the inspector's report.	Formal adoption by full council	Corporate Director: EPP	February 2022

**WYRE FOREST DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS 2020-21**

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

Councillor Helen Dyke  
Leader of the Council

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