

Open

Audit Committee

Agenda

5PM
Wednesday, 24th November 2021
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



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 F M Oborski, MBE

Councillor C Rogers

Independant Person: Bodrul Zzaman

Information for Members of the Public:

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

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

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

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

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

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

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

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

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

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

For further information:

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

Wyre Forest District Council

Audit Committee

Wednesday, 24th November 2021

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 29 th September 2021 and the special meeting held on the 27 th October 2021.	5
5.	Amendments to the Contract Procedure Rules and Financial Regulations To receive a report of the committee proposals for amendment to the Contract Procedure Rules and Financial Regulations following the recommendations of the meeting dated 27 th October 2021 that were approved by Council on 2 nd November 2021.	10
6.	Grant Thornton Update Report To receive a verbal update from the Grant Thornton Engagement Manager.	-

7.	<p>Internal Audit Monitoring Report Quarter Ended 30th September 2021</p> <p>To receive a report from the Audit Manager informing members of the Internal Audit Monitoring Report for the Quarter ended 30th September 2021.</p>	19
8.	<p>Counter Fraud Arrangements 2021~22</p> <p>To receive a report from the Audit Manager updating Members on the Counter Fraud arrangements in place looking back for 2020~21 and for 2021~22</p>	32
9.	<p>Risk Management – Corporate Risk Register</p> <p>To receive a report from the Corporate Director: Resources informing Members of the current Corporate Risk Register and the Budget Risk Matrix.</p>	41
10.	<p>Appointment of External Auditors</p> <p>To receive a report from the Corporate Director: Resources outlining the process for retendering for external audit in local authorities in England, for contracts due to start from 2023/24.</p>	80

11.	<p>To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</p>	
12.	<p>Exclusion of the Press and Public</p> <p>To consider passing the following resolution:</p> <p>“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.</p>	

Part 2

Not open to the Press and Public

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

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER

29TH SEPTEMBER 2021 (6PM)

Present:

Councillors: R H Coleman (Chairman), P W M Young (Vice-Chairman),
B S Dawes, N J Desmond, P Dyke, F M Oborski MBE and C Rogers.

Observers:

Councillor M Rayner attended as an observer.

AUD.21 Apologies for Absence

Apologies for absence were received from Councillor V Caulfield.

AUD.22 Appointment of Substitutes

Councillor A Coleman was appointed as a substitute for Councillor V Caulfield.

AUD.23 Declarations of Interests by Members

No declarations of interest were made.

AUD.24 Minutes

Agreed: The minutes of the meeting held on 29th July 2021 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.25 Audit Findings Report for Wyre Forest District Council 2020-21 Accounts

The Committee received a report from Grant Thornton (GT) detailing the findings of the external audit of accounts for 2020-21. The Engagement Lead summarised the main conclusions of the report for Members, and explained that the deadline for sign off of the accounts had this year been set two months earlier than the previous year's deadline. The Engagement Lead emphasised that given the current Covid-19 challenges still being faced it was a major achievement that the work had been completed in the given timeframe. GT had chosen Wyre Forest District Council (WFDC) as one of the Audits they were confident could be completed by the deadline. To give national context, most audits would not meet their deadline this year but WFDC one of the very few who would.

Members were informed that there had only been one material error identified which was the depreciation change which resulted in a number of revisions and has been updated but adjustment has no impact on position for year.

The Chairman thanked Grant Thornton for choosing WFDC to work with to complete the audit by the deadline and felt that this was a reflection on the good work of the finance team.

Decision: The report was noted by the committee.

AUD.26 Statement of Accounts 2020-21

The Committee received a report from the Chief Financial Officer on the Statement of Accounts 2020-21. The purpose of the report was to present the changes that had been required to the Pre-Audit Statement of Accounts for 2020/21, so far, and as a result of the ongoing audit undertaken by Grant Thornton UK LLP (GT), and to provide an update on the current status of the external audit work. There was also a requirement to provide an updated version of the Letter of Representation to the auditors, before they would issue the audit opinion for 2020/21; the draft wording of this was attached to the agenda pack for approval.

The Audit Committee agreed:

1.1 The Audited Statement of Accounts for 2020/21 be approved and authorise the Corporate Director: Resources to make any minor changes that are appropriate as part of resolution of the final external audit queries should this be necessary.

1.2 The draft Letter of Representation for 2020/21 attached at Appendix 1 of the report be approved noting that those charged with Governance concur with the S.151 Officer's view that the changes identified in the Audit Findings Report (referenced in this report), not updated in the accounts, are not material. To also authorise the S.151 Officer (Corporate Director: Resources), and the Chair of the Audit Committee to make any minor changes that are appropriate as part of the resolution of the final external audit queries should this be necessary.

There being no further business, the meeting ended at 6.32pm.

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER

27TH OCTOBER 2021 (6PM)

Present:

Councillors: R H Coleman (Chairman), P W M Young (Vice-Chairman), V Caulfield, B S Dawes, N J Desmond, P Dyke, F M Oborski MBE and C Rogers.

Observers

Councillors: H E Dyke, C Edginton-White, N Martin, S Miah and M Rayner.

AUD.27 Apologies for Absence

There were no apologies for absence.

AUD.28 Appointment of Substitutes

No substitutes were appointed.

AUD.29 Declarations of Interests by Members

No declarations of interest were made.

AUD.30 Exclusion of the Press and Public

Agreed: 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.

AUD.31 Audit Review – Unity Park (Former Frenco Site) – Provision of 9 Industrial Units

A report was received from the Chief Executive which provided the Audit Committee with the independent review by the Audit Manager of issues relating to the contract of the construction of 9 business units at the former Frenco Site on Silverwoods Way, Kidderminster.

The Chairman thanked the Chief Executive and the Audit Manager for the immense amount of work and effort that had gone into the review.

The Chief Executive presented the report and gave a brief summary of the

Agenda Item No. 4

background of the review. He drew members' attention to the first learning point set out in the confidential report about whether and how the Council assesses the financial standing of tenderers.

The Audit Manager presented the review report which detailed observations and key findings and included key extracts from the detailed evidence and financial implications. She drew members' attention to the executive summary and assured members that the detailed review had been done independently. She was pleased to report that from a governance perspective the Council had acted professionally and in accordance with the Council's Constitution, Financial Regulations and Contract Procedure Rules. She thanked the Corporate Director: Economic Prosperity & Place and the Contracts Solicitor for the additional information they had provided during the review.

A full and frank discussion ensued. The Committee fully scrutinised the report and engaged in a question and answer session with the Chief Executive, Corporate Director: Economic Prosperity & Place, Corporate Director: Resources, Audit Manager and the Contracts Solicitor.

To assist the formulation of recommendations to Council, the Chairman tabled a list of items for the Committee to consider. The Committee felt that the Council's approach under the contract procedure rules was a factor and that a review of the rules should be undertaken and presented to the next meeting of the Audit Committee.

Agreed:

- 1. The Audit Committee CONSIDERED the principal conclusions of the independent review which did not identify any weaknesses or defects in the process for procurement, award of contract, monitoring of progress with construction or making of payments to the contractor.**
- 2. The Audit Committee NOTED the advice in the report that external factors, outside the control of the Council, were the principal cause of difficulties with this project, namely the weather in early 2020, the COVID pandemic since March 2020 and the financial collapse of the contractor. In addition the Committee felt that the Council's approach under the contract procedure rules was a factor and that a review of the rules should be undertaken.**
- 3. Based on the evidence provided in the independent review and the further commentary in the report, to help ensure future contracts are successfully completed, the Audit Committee recommends to Council that it NOTES that:**
 - a) In consultation with Procurement Officer colleagues from West Mercia Police, the Solicitor to the Council and Corporate Director: Resources will work up proposals for revisions to the Contract Procedure Rules to include a framework for applying financial appraisals for consideration by the Audit Committee at its next meeting, the framework to**

include a threshold for size of construction contracts above which there should be a financial evaluation criterion;

- b) Consideration should be given as part of that revised framework to what provision the Contract Procedure Rules should make about vetting of potential new construction contractors, in respect of financial standing and evidence of completion of previous comparable contracts, in addition to any self-assessment provided; in what circumstances the mitigation measures in PPN 02/13 should be considered, including performance bonds; in what circumstances arrangements about retention are required and what they should be; and what steps should be taken in the event that a contractor's invoice during a contract is rejected in whole or in part, including reporting the fact to councillors;**
- c) The Committee considers that, in future, no project should proceed where the logic of creating an income stream is found to work only if the accepted contractor's price is all that makes it viable and that contractor's price is both the lowest and significantly lower than others received.**

There being no further business, the meeting ended at 8.21pm.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE MEETING****24th NOVEMBER 2021****Amendments to the Contract Procedure Rules and Financial Regulations**

OPEN	
CABINET MEMBER:	Councillor Mary Rayner Cabinet Member for Finance and Capital Portfolio
DIRECTOR:	Caroline Newlands, Solicitor to the Council and Tracey Southall, Corporate Director: Resources
CONTACT OFFICERS:	Helen Ogram helen.ogram@wyreforestdc.gov.uk Sally Tallon Sally.tallon@wyreforestdc.gov.uk
APPENDICES:	Appendix A – Proposed Amendment to the Contract Procedure Rules Appendix B – Proposed Amendments to the Financial Regulations Appendix C - Current standard selection questionnaire relating to financial standing

1. PURPOSE OF REPORT

- 1.1 To report to members of the committee proposals for amendment to the Contract Procedure Rules and Financial Regulations following the recommendations of the meeting dated 27th October 2021 that were approved by Council on 2nd November 2021.

2. RECOMMENDATION

The Audit Committee is asked to RECOMMEND to Council that:

- 2.1 **The Contract Procedure Rules are amended as proposed in Appendix A to this report.**
- 2.2 **The Financial Regulations are amended as proposed in Appendix B to this report.**

3. BACKGROUND

- 3.1 The Contract Procedure Rules do not currently require the financial assessment of companies prior to the award of contract leaving the decision on whether or not to conduct financial assessment to the discretion of officers, applying the advice provided in Policy Procurement Notes and government guidance. Following the internal audit review report on the industrial units at Unity Park and the insolvency of

the selected contractor, at its meeting on 27th October 2021 the Audit Committee agreed:

Based on the evidence provided in the independent review and the further commentary in the report, to help ensure future contracts are successfully completed, the Audit Committee recommends to Council that it NOTES that:

- a) **In consultation with Procurement Officer colleagues from West Mercia Police, the Solicitor to the Council and Corporate Director: Resources will work up proposals for revisions to the Contract Procedure Rules to include a framework for applying financial appraisals for consideration by the Audit Committee at its next meeting, the framework to include a threshold for size of construction contracts above which there should be a financial evaluation criterion;**
- b) **Consideration should be given as part of that revised framework to what provision the Contract Procedure Rules should make about vetting of potential new construction contractors, in respect of financial standing and evidence of completion of previous comparable contracts, in addition to any self-assessment provided; in what circumstances the mitigation measures in PPN 02/13 should be considered, including performance bonds; in what circumstances arrangements about retention are required and what they should be; and what steps should be taken in the event that a contractor's invoice during a contract is rejected in whole or in part, including reporting the fact to councillors;**
- c) **The Committee considers that, in future, no project should proceed where the logic of creating an income stream is found to work only if the accepted contractor's price is all that makes it viable and that contractor's price is both the lowest and significantly lower than others received.**

3.2 Proposed amendments to the Contract Procedure Rules are set out at Appendix A. Proposed amendment to the Financial Regulations is set out at Appendix B.

4. KEY ISSUES

4.1 The Contract Procedure Rules and allied parts of the Financial Regulations that govern Procurement form part of the Council's Constitution and the revisions now proposed require Full Council approval.

4.2 In procuring works, goods, and services the council must always comply with the requirements of the Public Contracts Regulations and Procurement Policy Notes issued by the government. There are some limitations in how suitability assessment can be applied to ensure that the general procurement principles of transparency, equal treatment, non-discrimination, and proportionality are applied. Paragraphs 1.1 to 1.8 of the Contract Procedure Rules (Appendix A) provide the context to how the thresholds and assessment requirements within the table at 1.8 can be applied.

4.3 PPN 8/16 requires that where contracting authorities are to apply a supplier selection process to above threshold procurements then the standard selection questionnaire

should be used. The section of the current standard selection questionnaire relating to financial standing is set out at Appendix C.

- 4.4 Currently all construction contracts include provisions allowing a retention, this has been included in the table for completeness along with the reference to seeking parent company guarantees or performance bonds where appropriate.
- 4.5 The process of monitoring contractor invoices is set out in the Financial Regulations. Appendix B includes a suggested amendment to reflect the request of the committee for members to be informed where a contractor invoice is rejected.
- 4.6 The principle of 3.1 c) above is not covered by the Contract Procedure Rules or the Financial Regulations but within the business model for each project which is reported to Cabinet. It would not be possible to reject a tender solely because it is the lowest price though the procedure for dealing with abnormally low tenders (as defined in the Public Contracts Regulations 2015) are included within the amendments to the Contract Procedure Rules at Appendix A.

5. FINANCIAL IMPLICATIONS

- 5.1 Additional work will be created for the Procurement Officer and Finance team due to increased frequency of financial assessment. It is currently anticipated that it will be possible to manage within existing resource but this will be kept under review.
- 5.2 Fees for credit rating reports will be incurred and the cost of performance bonds would increase the cost of tenders.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 PPNs 8/16 and 2/13 and the Public Contracts Regulations 2015 must be considered in applying supplier selection criteria.
- 6.2 Further more extensive amendment to the Contract Procedure Rules will be required in due course upon the introduction of revised regulations which are due following the exit from the EU.

7. EQUALITY IMPACT NEEDS ASSESSMENT

- 7.1 An Equality Impact Needs Assessment is not required for this report.

8. RISK MANAGEMENT

- 8.1 Having clear and consistent Contract Procedure rules will contribute to mitigation of the risk of non-compliance with both statute and best practice. The rules will support fair, non-discriminatory and transparent procurement processes. Compliance with robust contract procedure rules enables the Council to evidence that best value for money is being secured and reduces the risk that procurement is successfully challenged by unsuccessful suppliers.

- 8.2 Appropriate use of credit checks and evaluation of financial standing for high risk procurements can mitigate some of the risk of supplier failure however by nature such checks are backwards looking and only provide limited assurance.
- 8.3 The current Contract Procedure Rules allow for a case by case assessment of whether or not and how financial checks of potential suppliers should be undertaken as part of the tender evaluation criteria and allows officers the discretion to decide taking into account the relevant Procurement Policy legislation and guidance. This provides full flexibility and by making the Contract Procedure Rules more prescriptive there is a risk that some Small and Medium Size companies (SMEs) may not submit tenders. This could potentially reduce the number of tenders received and mean that there is less competition for contracts and result in higher prices paid. However, the framework now proposed seeks to mitigate this risk by the structured approach to type and size of contract.
- 8.4 The additional processes from the proposed revisions to the Contract Procedure Rules will result in additional work, mostly for the Procurement and Finance Officers at a time when savings from staffing are being sought. This will be carefully managed with the assistance of the Shared Service arrangement with West Mercia Police but there is a risk that extra costs will be incurred and/or that the procurement process will take longer.
- 8.5 The current Contract Procedure Rules have not resulted in a breach of Procurement legislation and guidance and to date no challenge has been made against this Council for alleged unfair procurement practice. However the proposals made in this report seek to provide a more robust framework for the financial assessment of tenderers as part of the tender evaluation process; there is a risk that this may result in challenge from SMEs if they consider this puts them at a disadvantage but this is mitigated as far as possible by the structured framework now proposed.

9. CONCLUSION

- 9.1 The Audit Committee is invited to consider the amendments to the Contract Procedure Rules and Financial Regulations and the recommendation set out in section 2 above.

10. CONSULTEES

- 10.1 CLT
10.2 Cabinet Member for Finance and Capital Portfolio
10.3 West Mercia Police Procurement Officer (Shared Service)

11. BACKGROUND PAPERS

- 11.1 Exempt Audit Committee Report 27th October – Audit Review – Unity Park (Former Frencro Site) – Provision of 9 Industrial Units
- 11.2 Exempt Council Report 2nd November 2021 – recommendations from Audit Committee on the 27th October following consideration of Audit Review Report - Unity Park (Former Frencro Site) – Provision of Industrial Units

Appendix A
Amendment to the Contract Procedure Rules

1. Assessment of economic and financial standing of bidders

- 1.1 At the commencement of a procurement exercise the Lead Officer, in consultation with the Procurement Officer and with reference to the table at [1.8], shall consider whether it is necessary to assess the economic and financial standing of bidders as part of the bidder assessment criteria. For contracts over the Threshold for supplies and services (including where the contract is for works) a financial assessment may be carried out as part of the Selection Questionnaire if a two-stage procurement process is to be conducted. The standard Selection Questionnaire shall be used and only modified in accordance with PPN 8/16.
- 1.2 For one stage procurements (both below and above Threshold) bidder suitability criteria can be included within the Invitation to Tender in a format compatible with the requirements of PPN 8/16.
- 1.3 If a minimum turnover is considered relevant and proportionate to the contract this will be specified in the Invitation to Tender. To avoid disadvantaging smaller/newer organisations, in accordance with PPN 2/13, any company which does not meet a minimum financial threshold will be given the opportunity to offer alternatives to minimize the risk. Examples of alternatives would be offering a guarantor or the provision of a performance bond.
- 1.4 The financial assessment within an ITT may require self certification from the bidders and evidence shall then only be sought from the winning bidder. Should the Lead Officer, in consultation with the s151 Officer not be satisfied that the financial standing of the bidder is sufficient to meet the particular risks of the contract (at all times having regard to the requirements of proportionality and relevance, and taking into account other suitability criteria) the bidder may be excluded.
- 1.5 Prior to seeking full details as set out in 1.4 it is acceptable for the Lead Officer in consultation with the s151 Officer to have regard to a credit rating report and make a professional judgement as to whether further investigation is necessary, though shall not exclude a bidder on the credit rating report alone.
- 1.6 If further evidence of financial standing is requested, the Lead Officer shall ensure that there is no disadvantage to smaller/newer organisations by allowing alternative evidence to two years of accounts for example parent company accounts, bankers statement and references, accountant references, cash flow forecasts, capital available and details of previous contracts.
- 1.7 In accordance with PPN 02/13 financial standing should only be considered as part of the overall selection criteria. The evaluation process should not rule out a potential provider unless there is clear evidence that the supplier's financial position places public money or services at unacceptable risk.
- 1.8 The following table sets out what level of financial assessment should be carried out depending on the contract type and value. If either the Solicitor to the Council or the s151 Officer has concerns that applying the approach in the table will be disproportionate or not relevant to the contract in question they may decide not to apply the approach set out in the table.

Type of Contract	Value threshold	Approach to Financial Assessment	Other risk minimization requirements
Capital Works	£500,000	Standard Financial Ratios based on prior years accounts x2 (where available) Current credit rating report In accordance with standard SQ	Include the provision for a 5% retention to be released to the contractor at the end of the defects liability period If available and appropriate (eg. due to concerns regarding proven financial stability) a parent company guarantee or performance bond
Services which are a statutory duty	£180,000	Standard Financial Ratios based on prior years accounts x2 (where available) Current credit rating report In accordance with standard SQ	If available and appropriate (eg. due to concerns regarding proven financial stability) a parent company guarantee or performance bond
Where the commercial model presents risk (for example required pre payment)	£50,000	Standard Financial Ratios based on prior years accounts x2 (where available) Current credit rating report	If available and appropriate (eg. due to concerns regarding proven financial stability) a parent company guarantee or performance bond
Essential high risk provision (where officers feel that the consequences of contractor insolvency to the particular supply are high and cessation of the supply would cause an unacceptable disruption to essential council services)	Any value	Subject to officers to applying discretion to identify de minimis contract value. Standard Financial Ratios based on prior years accounts x2 (where available) Current credit rating report	If available and appropriate (eg. due to concerns regarding proven financial stability) a parent company guarantee or performance bond
High value Goods contracts (for example fleet vehicles)	Any value	Provided no up front payment or loss to the Council caused by delayed supply, no financial assessment required.	

		Otherwise, standard financial ratios based on prior years accounts x2 (where available) and current credit rating report	
All other above Threshold contracts	Above £180,000	Credit rating report, standard financial ratios to mitigate risk at Lead officer discretion or where professional judgement advises In accordance with standard SQ	
All other below Threshold contracts	below £180,000	At Lead Officer discretion in consultation with the Procurement Officer	

2. Abnormally Low Tenders

- 2.1 Where a Lead Officer, in consultation with the Procurement Officer, considers that a tender is abnormally low the Procurement Officer shall require an explanation from the tenderer of the price/costs proposed in the tender. If the s151 Officer is not satisfied with the explanation provided and feels that, in all the circumstances, the council is unable to rely on the contract being properly performed the tender may be rejected.

APPENDIX B

Amendment to the Financial Regulations (addition highlighted)

- 7.3 Payments to Contractors for Capital work on account of the Contract shall be made only after a certificate has been issued by the appropriate Supervising Officer or other officer in accordance with regulation (14.2). In the case of Contracts supervised and managed on behalf of the Council by private consultants such certificate shall be signed by the consultant concerned. **The Cabinet shall be advised where a Contractor's invoice is either rejected in whole or by more than 50% and to the value of £10,000 or higher.** Payments for other contracts, to which this Regulation applies, shall be by means of invoice and/or pro forma certificates as determined by the Chief Financial Officer.

Appendix C (appendix references in report body)

Standard questions included within the Selection Questionnaire. If a different method of financial assessment is to be included in above threshold procurements with a Selection Questionnaire then these need to be reported to the CCS Mystery Shopper Scheme as a deviation from the standard SQ.

Section 4	Economic and Financial Standing	
	Question	Response
4.1	Are you able to provide a copy of your audited accounts for the last two years, if requested? If no, can you provide one of the following: answer with Y/N in the relevant box.	Yes <input type="checkbox"/> No <input type="checkbox"/>
	(a) A statement of the turnover, Profit and Loss Account/Income Statement, Balance Sheet/Statement of Financial Position and Statement of Cash Flow for the most recent year of trading for this organisation.	Yes <input type="checkbox"/> No <input type="checkbox"/>
	(b) A statement of the cash flow forecast for the current year and a bank letter outlining the current cash and credit position.	Yes <input type="checkbox"/> No <input type="checkbox"/>
	(c) Alternative means of demonstrating financial status if any of the above are not available (e.g. forecast of turnover for the current year and a statement of funding provided by the owners and/or the bank, charity accruals accounts or an alternative means of demonstrating financial status).	Yes <input type="checkbox"/> No <input type="checkbox"/>
4.2	Where we have specified a minimum level of economic and financial standing and/ or a minimum financial threshold within the evaluation criteria for this procurement, please self-certify by answering 'Yes' or 'No' that you meet the requirements set out.	Yes <input type="checkbox"/> No <input type="checkbox"/>

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
24th NOVEMBER 2021**INTERNAL AUDIT MONITORING REPORT**
QUARTER ENDED 30TH SEPTEMBER 2021

OPEN	
CABINET MEMBER	Councillor Mary Rayner: Finance & Capital Portfolio
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 30 th September 2021

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30th September 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 30th September 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 2021~22 in March 2021. 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 2021~22 reflects the current staffing resource following a mini restructure of the Internal Audit Team in April 2019.
- 3.3 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Leadership Team and to the External Auditors.
- 3.4 The Report attached as an Appendix contains 5 sections which are:

Section 1	Follow up reviews undertaken in the quarter; incorporating recommendations in progress
Section 2	Final Internal Audit Reports issued

Section 3	Draft Internal Audit Reports issued
Section 4	Work In Progress to include draft reports issued following completion of 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.
- 3.8 The terminology within the reports presented to members is in line with that used by many other Internal Audit Teams of public authorities, private and public companies and external auditors.
- 3.9 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.
- 3.10 It may be that an operational decision has been taken by management to accept the risk of the non-operation of an internal control. Where Internal Audit is reviewing the area in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.
- 3.11 The Corporate Leadership Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potentially serious issue.

4. KEY ISSUES

- 4.1 Internal Audit make recommendations to management on potential improvements to the internal control environment of the system under review. It is management's responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.
- 4.2 The Quarterly monitoring report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been designed to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. The format of the audit briefs and formal reports is also devised to evidence the associated corporate risk and those risks considered against expected controls. The quarterly monitoring report is presented to the Audit Committee in accordance with the Internal Audit, Quality Assurance & Improvement Programme to ensure on-going monitoring of the performance of the internal audit activity.
- 4.3 The Internal Audit Team operate in accordance with recognised Internal Audit 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 first Government lockdown announced on 20th March 2020 in light of the COVID-19 pandemic, the Internal Audit Team were migrated to home working which has enabled a seamless continuation of service provision. The team continue to homework for the majority of their time although there is currently a gradual transition to hybrid working in line with corporate policy.
- 4.6 The approved Internal Audit Plan includes 20 days for commissioned reviews and 25 days for contract reviews. A review of the Unity Park construction project was commissioned by the Chief Executive on the 29th July 2021 as a priority for reporting to a special single subject Audit Committee in late October. This independent review was undertaken by the Audit Manager personally and due to the volume of paperwork, complexity of the brief and high prioritisation, this took a total 31 days' resource away from other Audit Plan work {some allocated against contract reviews in this quarter some in Quarter 3}. The review has been completed allowing resources to be switched back to the substantive Audit Plan work and this will be reflected in the Quarter 3 Update report.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 regulation 5(1) require that:

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

7. RISK MANAGEMENT

- 7.1 In order to manage risk, internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 7.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.
- 7.3 The Internal Audit service is one element of the Council’s assurance/internal control framework.
- 7.4 A relevant member of the Internal Audit Team will continue to be involved in future Wyre Forest Forward reviews to oversee and advise on proposed system changes to ensure Key Controls are not compromised. This work will be resourced as part of the Consultancy and Advisory role detailed within the Internal Audit Plan.
- 7.5 Key audit risks are evidenced against expected controls for all internal audit briefs. This presentational change as recommended by the external review helps to increase focus on risk management issues throughout the delivery of each specific audit review.

8. CONCLUSION

- 8.1 The work undertaken by the Internal Audit Team in the quarter ended 30th September 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 24th March 2021 ~ Audit Committee ~ Internal Audit Annual Plan 2021~22
28th November 2018 ~ Audit Committee ~ Quality Assurance & Improvement Programme
30th July 2018 ~ Audit Committee ~ Internal Audit Charter {Updated}
Accounts and Audit Regulations 2015 {SI 234}



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
30th September 2021**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 30th September 2021

INDEX	PAGE
SECTION 1 Follow up Reviews undertaken in the Quarter	25
SECTION 2 Final Audit Reports issued in the Quarter	26
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SECTION 4 Work In Progress (Including Action Plans Issued) & Draft reports following the completion of the 20~21 Internal Audit Annual Plan	28
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Including Consultancy & Advice for the Quarter & Comparison of Consultancy & Advice for Quarter 30 th September 2020 & 30 th September 2019	30
Supporting Information for Other Internal Audit work including the Wyre Forest Forward reviews, process designs.	31
 <i>Cheryl Ellerton</i> AUDIT MANAGER	
 <i>Tracey Southall</i> SECTION 151 OFFICER	

5th November 2021

SECTION 1

Quarter Report to the 30th September 2021

Summaries of Follow up Reviews undertaken in the Quarter

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

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

SECTION 1 FINAL AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30 th September 2021		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
<u>Key Systems (Annual Assurance Reviews)</u>		

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

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

Quarter Report to the 30th September 2021

DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30 th September 2021	
TITLE	DATE OF ISSUE
~	~

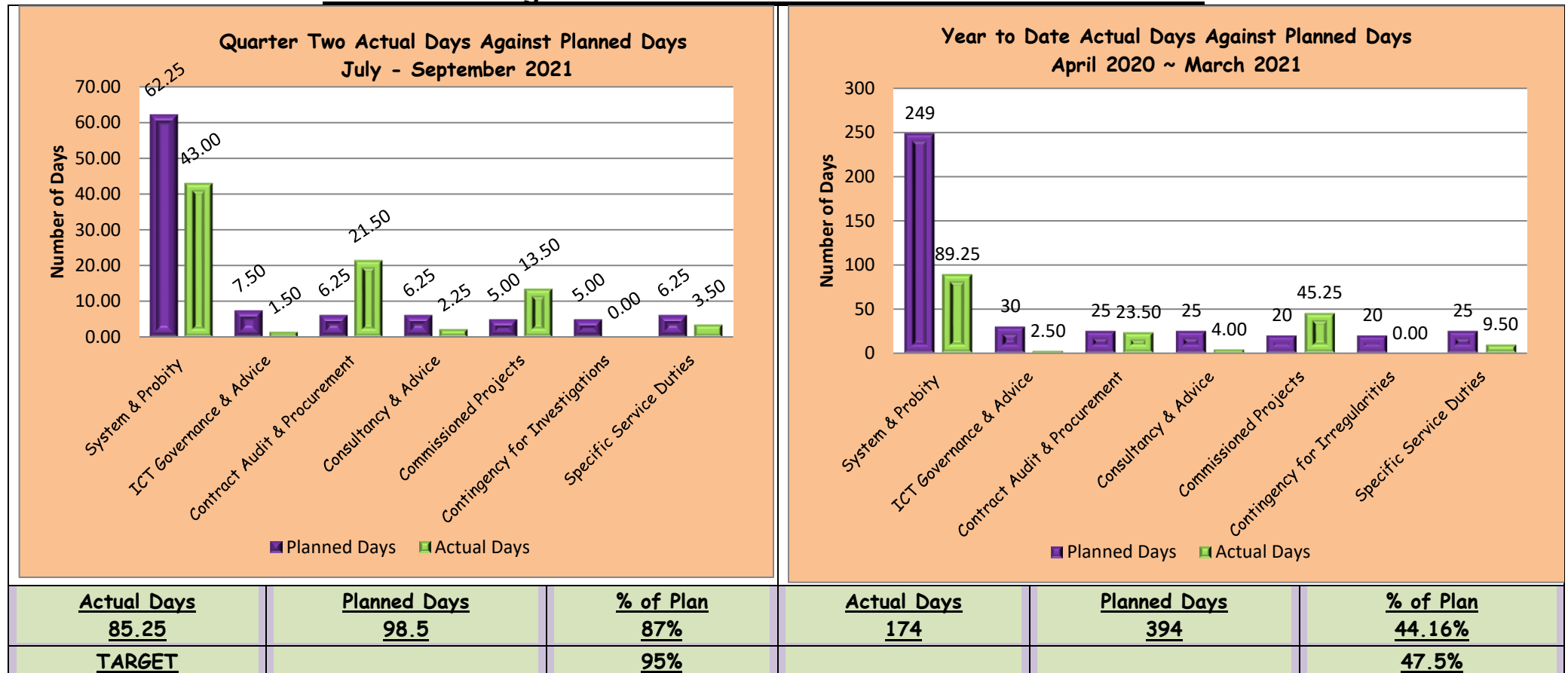
THERE ARE NO DRAFTS TO REPORT FOR THIS QUARTER. THIS SECTION HAS BEEN LEFT FOR CONTINUITY.

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 2021~22 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 30 th September 2021		Status	Action Plans/Progress Report			DATE OF COMPLETION OF FIELD WORK
RISK ASSESSMENT	AUDIT REVIEW	As At 30.09.21	DATE OF ISSUE Action Plan Q1	DATE OF ISSUE Action Plan Q2	DATE OF ISSUE Action Plan Q3	
	Core Financial Systems (Annual Assurance Reviews)- 2021~22 Annual Audit Plan					
RA40	Accounting Cash To Bank Bank Reconciliation	Stage 3	-	03.09.21		
RA50	Benefits (Inc Council Tax Discounts (Local Scheme)) Council Tax Reduction {Local Scheme} ~ Compliance	Stage 2	-	-		
	Housing Benefit {Allowances}	Stage 2	-	-		
	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 1	-	-		
RA16	Council Tax Ctax Reconciliations ~ {To include Gross Debit 2018/19}	Stage 6	09.07.21 {FR}	N/A		
	Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 1	-	-		
	Ctax Compliance/Recovery	Stage 2	-	-		
RA44	Creditors (Accounts Payable) Creditors {Accounts Payable } ~ Compliance	Stage 2	-	-		
	Creditors {Accounts Payable} ~ Reconciliation	Stage 3	-	27.08.21		
RA51	Debtors (Accounts Receivable) Debtors {Accounts Receivable} ~ Compliance	Stage 2	-	-		
	Debtors {Accounts Receivable} ~Reconciliations	Stage 3	-	13.08.21		
RA82	Establishment Establishment Reconciliation	Stage 1	-	-		
	Establishment {Staff Record Forms}	Stage 1	-	-		
RA21	National Non Domestic Rates NNDR ~ Reconciliations ~ {To include Gross Debit 2018/19}	Stage 6	09.07.21 {FR}	N/A		
	NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 2	-	-		
	NNDR ~ Compliance	Stage 2	-	-		
RA51	Payroll (Including Mileage & Subsistence Claims) Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^	Stage 3	-	15.09.21		
	^ Field Work includes Local Government Pension Scheme Pay Award					
	Payroll ~ Reconciliations {WFDC Accountancy Team} ~ Parameter	-	-	-		
RA32	Treasury Management {Strategy, Reporting & Reconciliations}	Stage 1	-	-		
KEY	Stage 1 ~ Field Work In Progress ~ {With Individual Auditor} Stage 2 ~ Phases 1 & 2 & 3 Field Work Complete for Peer Review Stage 3 ~ Phases 1 & 2 & 3 Field work Complete with Action Plans/Progress Report to Service Manager	Stage 4 ~ Audit Complete ~ Reviewed {Audit Manager} Stage 5 ~ Draft Report Issued Stage 6 ~ Final Report Issued {FR}				

Audit Resource Statistics

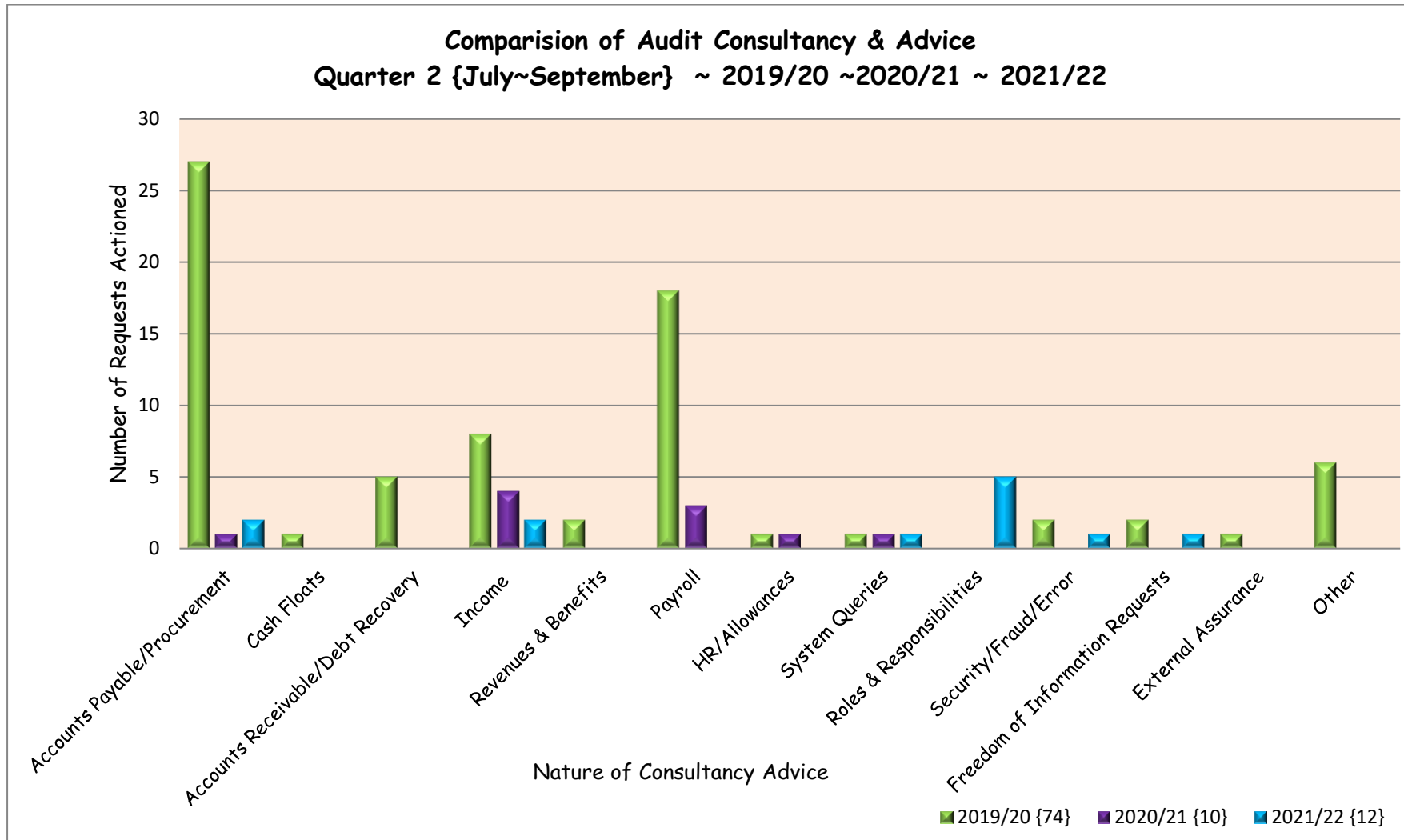
Performance Against Annual Plan For The Financial Year 2021~22



➤ For the quarter to 30th September 2021 actual against plan is 87 % compared to a target of 95%

NB: A long standing member of the Internal Audit Team is currently on long term sick leave which commenced at the end of June 2021. Short term funding to cover the long term sickness absence was agreed with the Corporate Management Team and a proposal agreed to work with the Worcestershire Internal Audit Shared Service alongside a short term temporary contract to re-employ a retired member of the Internal Audit Team. As a result, for quarter two the appointment of a temporary senior audit to the team from early September ensures the continuity in the provision of an internal audit service and provides for additional support to the internal audit team having previously fulfilled the role of Auditor up until her retirement in 2017.

Within the time allocated in the above table, during this second quarter of 2021~22 the Internal Audit Team have responded to **12** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **10** requests received and actioned for the same period in 2020~21 and the **74** requests received and actioned for the same period for 2019~20



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 2021~22 Internal Audit Annual Plan approved by the Audit Committee in March 2021 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

- Review and sign off the on the Development Loan with SUMA {Developments} Ltd
- Undertake an independent review of the project for the Unity Park ~ Erection of 9 Industrial Units commissioned by the Chief Executive in late July 2021 as a priority and to support a report taken by the Chief Executive to a special meeting of the Audit Committee on October 27th 2021.

Wyre Forest Forward ~ Interventions/Continuous Improvement Work

Members of the Internal Audit Team continue to be involved in Wyre Forest Forward continuous improvement reviews; overseeing and advising on proposed system changes to ensure Key Controls are not compromised. The role of the Audit Team is to ensure that risk is mitigated in the event of proposed changes to current systems and maintain good governance and financial systems resilience.

Corporate Issues

National Fraud Initiative

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. As part of the programme, additional data sets continue to be submitted to cover COVID-19 grant recipients. Data required covered the grant schemes for Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and Local Authority Discretionary Fund distributed throughout the national lockdowns and tier restriction periods since March 2020 which have continued into the second quarter of the 2021~22 financial year.

COVID-19

The Internal Audit Team continued to support the work of the Revenues and Benefits Team by undertaking detailed post assurance payment checks on the Business Support Grant schemes until the end of the lockdown restrictions in July 2021.

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.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
24th NOVEMBER 2021**COUNTER FRAUD ARRANGEMENTS 2021~22**

OPEN	
CABINET MEMBER	Cllr Mary Rayner, Finance & Capital Portfolio
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update Members on the Counter Fraud arrangements in place looking back for 2020~21 and for 2021~22

2. RECOMMENDATION

The Audit Committee is asked to consider and note:-

- 2.1 **This report on the counter fraud arrangements within the Council.**

3. BACKGROUND

- 3.1 Resource for counter fraud arrangements within the Council rely primarily on the work of the Compliance Officers within the Revenues & Benefits Team, and the Corporate Fraud resource aligned to the Internal Audit Team. Service Managers also have a responsibility for ensuring appropriate procedures are in place to prevent and detect fraud.
- 3.2 The Council continues to commit these resources to tackling fraud to protect the public purse and also with the knowledge that it is facing significant financial challenges and therefore important that the Council minimises losses caused by fraud. All sectors are at an increasing risk of fraud and corruption and these risks are growing as fraudsters become more aware of the possibilities for committing fraud against public sector bodies. Councils are finding smarter ways of working, often embracing new technologies, enhanced digital access potentially provides gateways to more sophisticated fraud techniques, so more awareness, training and mitigation is vital.
- 3.3 There is a continuing programme on raising awareness to demonstrate the commitment of the Council to tackling fraud and protecting the public purse. The main focus of the awareness campaign is to improve understanding of the effects of fraud.

4. **KEY ISSUES**

- 4.1 There were no confirmed frauds detected within the Council during 2020~21 or 2021~22 to date. However, a small number of Business Support Grant applications paid as part of the government support for the Covid 19 pandemic were refused where it was not possible to confirm the legitimacy of the business through pre-payment checks. Where post payment checks had established that the business was not entitled to a grant payment awarded, in accordance with government guidance, recovery action was instigated, and the information has been referred to the National Anti-Fraud Network. These referrals could give rise to prosecutions for fraud being instigated after investigation by law enforcement agencies. The Council will continue to work on prevention and deterrence and to demonstrate commitment the Council regularly reviews its own arrangements in accordance with the Fighting Fraud & Corruption Local Government Agenda which had been updated for the 2020's.
- 4.2 The aim of the Fighting Fraud & Corruption Locally Agenda remains to increase the prevention and detection of fraud and aid the recovery of funds to help ease the constant financial pressures on Council's
The core principles which have been updated for the 2020 strategy are:-
→Govern: having robust arrangements and corporate leadership support to ensure anti-fraud, bribery and corruption measure are embedded throughout the Council.
→Acknowledge: acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
→Prevent: preventing and detecting more fraud in making better use of information and technology enhancing fraud controls and processes and developing a more effective anti-fraud culture.
→Pursue: punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.
→Protect: protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. For the council this will also cover protecting public funds, protecting the council from fraud, cybercrime and future frauds
- 4.3 The Council continues to ensure a culture is maintained where fraud and corruption is unacceptable with zero tolerance and where everyone, including Members and Employees have a part to play in its eradication. As well as the potential for financial loss caused by fraud, there can also be adverse reputational impact.
- 4.4 Having an embedded anti-fraud approach across the Council is critical to its success. The Council already have adequate effective counter fraud arrangements in place. These are continually under review, to allow for the Council to improve on the effectiveness of counter fraud arrangements and keep them updated to reflect new, particularly technology based challenges and provide a deterrent to fraudsters by evidencing the Council's commitment to identify fraud and take proactive action.
- 4.5 The Internal Audit Team review fraud risks as part of the annual audit plan for which material findings are brought to the attention of Management. Where fraud or potential for fraud is identified as a risk, Management respond satisfactorily to recommendations made by Internal Audit.

4.6 All public bodies are at risk from fraud in one form or another, and to acknowledge this is essential in developing an effective anti-fraud response, with services understanding where the risk of fraud lies and the consequences of fraud. This ensures an effective counter fraud culture that reinforces the Council’s zero tolerance toward fraud, and for individuals to identify and report potential fraud.

4.7 The detection and recovery of fraudulently obtained finances and assets is important and costly, there is no guarantee that the losses can be recovered. Therefore, all reasonable steps are taken to prevent fraud from entering the Council’s systems in the first place.

5. OUTCOMES TO DATE

5.1 CORPORATE FRAUD

5.1.1 Current and emerging risks are identified from a number of sources including the National Anti-Fraud Network {of which the Council is a member}, the National Fraud Intelligence Bureau, and other third party agencies e.g. Neighbourhood Watch. There are regular information alerts in the staff e-magazine Wyred Weekly to further embed an anti-fraud culture across the Council.

WYRED WEEKLY	OUTLINE OF FRAUD ALERTS
20.04.20	Stay Cyber Safe at Home & Work~ Cyber Criminals Preying on Coronavirus Fears and sending scam emails. Fraudulent Bank eMails~ Targeting Government Departments & Local Authorities
24.04.20	Online Shopping Fraud ~ Via Action Fraud ~ Best Practice to use a Credit Card or Paypal and avoid paying by bank transfer
06.05.20	Business eMail Compromise ~ Via National Cyber Security Centre ~ Protection against phishing emails and spoofed email accounts
20.05.20	
17.06.20	Track & Trace Scam ~ Attempt to Steal Personal Details amid Covid19 Fears
15.07.20	Money Muling Scam ~ Attempt to transfer money between counters ~ a form of money laundering
17.07.20	Scam ~ Phishing attempt offering a reduction in Council Tax ~ Attempt to Obtain Bank Details
22.07.20	Scam ~ Use of Cloned Police Telephone Numbers ~ Attempt to Obtain Bank Details
29.07.20	Details of HMRC and Central Government to target fraudsters amid Covid19 Fears
19.08.20	Warning from Central Government re Loan Sharks amid Covid19 Fears
20.08.20	Instagram Scam ~ Fraudsters offering/promoting Investment Opportunities
27.08.20	Paypal Scam ~ Cloning of Accounts
02.09.20	Ransomware attack {Cyber Crime}
08.10.20	Take Five ~ Stop Fraud ~ Stop, Challenge & Protect Your Money and Information
14.10.20	Amazon Prime Scam ~ Email/Message with a Link to renew an Amazon Prime Account
21.10.20	Email Scams ~ Claiming to be from Microsoft and Action Required {Request to click on a link}
05.11.20	Campaign to Stay Ahead of Cybercrime ~ 3 Simple Steps
11.11.20	Black Friday and Christmas ~ Stay Safe Online ~ Protect Your Details
16.11.20	SMS Scam ~ Re Parcel Collections
24.11.20	Shop On Line Safely This Christmas ~ Stop Fraud ~ Poster Campaign
05.01.21	Refresh of the Stop Fraud ~ Take Five Campaign
13.01.21	Warning ~ Covid19 Vaccine Scams
16.02.21	Pension Scam ~ Financial Conduct Authority ~ How to Protect Your Pension
23.02.21	Protect Yourself from Covid19 Scams ~ Financial Conduct Authority Campaign
02.03.21	Action Fraud Warning as Holiday Bookings Surge Following Easing of Restrictions
26.05.21	Campaign to Get Safe On Line
02.06.21	Council Tax Refund Scam via SMS

5.1.2 Specific teams are advised where the fraud alert is service specific for example, fraud cases reported nationally where there is potential for fraud and error within the Council. These often centre around mandate fraud and specific attempts to divert public funds to fraudulent bank accounts details of which are shared with the

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Finance Team whose robust procedures ensure detailed validation checks are undertaken before amending any bank account details for payments. Independent verification of requests to amend supplier accounts are also completed by the corporate fraud team. Testing ensured that the changes requested have been actioned and verified by a second employee and that bank account details have been corroborated from an independent source.

- 5.1.3 For the financial year 2020~21, the Corporate Fraud officer dealt with **121** reported potential attempted frauds. There was a marked increase in the number of phishing/scam emails in circulation during the Covid19 pandemic as many businesses moved to remote and/or digital methods of working. The majority of these related to suspicious emails received in various council email accounts from unknown/unidentifiable sources. The emails are logged and forwarded to the Counter Fraud Team at the City of London Police who monitor fraudulent activity to identify trends and stop further activity. Where an email is in relation to a bank or other financial institution, these emails are shared with their counter fraud teams.

For the first 6 months of 2021~22, there have been **31** reports to the Corporate Fraud Team of suspicious activity, all emails from unknown sources. The majority of fraudulent emails are stopped before they reach users mailboxes by an email gateway that filters suspicious emails as evidence of enhanced security in place by the ICT Manager and his Team.

- 5.1.4 As part of the Council's commitment to ensuring that all Members and Employees receive appropriate training and guidance on cyber security to help prevent cybercrime/attacks, mandatory training is provided for all network system users via KnowBe4, an organisation providing Security Awareness Training. To date, three modules have been rolled out to both Employees and Members :-
- ➔ Security Awareness Training {Threats to include Phishing, Malware, Ransomware} ~ February 2021
 - ➔ Strong Password Management {Best Practice} ~ August 2021
 - ➔ Mandatory Data Protection Essential ~ October 2021

To continually promote awareness around cyber security and the growing sophistication of the fraudsters, phishing security campaigns are run by the ICT Team to ensure Employees and Members remain vigilant and able to identify phishing emails which may lead to individuals inadvertently providing sensitive information or the download of malicious software.

- 5.1.5 In addition, the ICT Manager and his Team have maintained an active campaign in respect of raising awareness around Cyber Crime with regular updates in the corporate Wyred Weekly e-magazine with more individuals and businesses continuing to operate away from their standard place of work. The weekly Cyber Crime Sentinel Newsletter is shared by the ICT Team as part of the Wyred Weekly update. This newsletter is collated by the West Midlands Regional Cyber Crime Unit and distributed within the West Midlands Region to raise awareness among both businesses and the general public. This weekly update highlights current trends around cybercrime and fraud, providing steps that can be taken for individuals and businesses to protect themselves against the ever-increasing sophisticated scams and cyber-attacks.

5.2 NATIONAL FRAUD INITIATIVE

5.2.1 The Council continues to contribute to the National Fraud Initiative which involves national data matching using a range of council data sets including payroll, accounts payable, licences, insurances, the local council tax reduction scheme which is supported by housing benefit data provided by the DWP {Department for Work & Pensions} as well as the electoral register and single person discount awards.

5.2.2 The Cabinet Office is responsible for the National Fraud Initiative. The exercise is undertaken every 2 years in respect of the following data sets: -

DATA SET DESCRIPTION
Trade Creditors {Accounts Payable}
Taxi Drivers
Payroll
Council Tax Reduction Scheme
Housing Benefit {submitted directly by the DWP}

With annual checks on the following data sets: -

DATA SET DESCRIPTION
Council Tax ~ Single Person Discount
Electoral Register

Prior to release of any data matches for the Council the matches are risk assessed with a requirement to review those identified as significant. It is a resource intensive exercise, and previously resource has been aligned to reviewing those matches involving housing benefit cases to national data sets and completed by the Compliance Officers. These matches result in potential outcomes for action and recovery of public money where fraud and/or error have occurred where a review of the matched data identifies individuals who are no longer entitled to housing benefit or a reduction in their council tax.

➔ In addition to the mandatory exercises, for 2021~22, the Compliance Officers are also undertaking a separate review of Single Person Discount via the National Fraud Initiative tools available to verify the legitimacy of an individual’s claim. The premium checking service available through the National Fraud Initiative provides for a complete data footprint of household composition and the prompt identification of incorrectly claimed council tax single person discount.

5.2.3 Those matches arising from the submission of the payroll and creditors as part of the National Fraud Initiative are independently reviewed by the Internal Audit Team.

➔ Payroll data matches will be cross checked to identify employees with “live” records on two or more employer data bases as potential employment fraud: No issues were identified.

➔ Creditor data matches include a review of business names, address and bank accounts to identify possible duplicate records. No Issues were identified. Any matches were validated where a business may have two or more business sites, or different references for payments, or there are two or more businesses sharing the same address {corporate buildings}.

⇒ Payment amounts are also “matched” as a potential for duplicate payments. No issues were identified. Matched amounts may cover different payment periods {monthly/quarterly/annually}.

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- 5.2.4 The National Fraud Initiative is a mandatory exercise for which the Council are required to participate and contribute to the national statistics for detecting and preventing fraud and error. Any actions or investigations that arise from these matches are formally reported via the National Fraud Initiative website following the completion of the exercise as these statistics form the national picture of the fraud landscape.
- 5.2.5 As at May 2021, the Cabinet Office advised that the data matching service has been able, with participating organisations to include Wyre Forest District Council, to prevent and detect £2 billion in fraud and error since the initiative began in 1996, monies prevented or recovered from fraudsters and reinvested in public services.

5.3 COVID 19 BUSINESS GRANTS

- 5.3.1 Since the first national lockdown in March 2020, Wyre Forest District Council have paid out over £38m across the various schemes below:-

Grant Scheme	No. of grants paid	Total £
Mandatory Business Support Grants	1815	21,605,000.00
Discretionary Business Support Grants	161	1,087,000.00
LRSG (Closed) Addendum	690	1,100,668.00
LRSG (Closed) 02.12.2020 onwards	28	26,009.00
LRSG (Sector)	3	2,714.28
CSP Wet Led Pubs	44	44,000.00
NWEDR ARG November 2020	86	184,103.00
LRSG (Open)	126	154,140.72
Closed Business Lockdown Payment	713	3,398,000.00
LRSG (Closed) Addendum 05.01.21 onwards	713	1,699,518.00
LRSG (Closed) 31st Dec- 4th January 2021	114	34,829.20
ARG from 05.01.2021	627	2,719,607.00
LRSG (Closed) from 16.02.2021	699	1,732,112.00
Restart Grants	680	5,075,390.00
Total	5648	38,863,091.20

The distribution of the central government grant funding available to businesses during the pandemic was identified as a potential fraud risk area, and to mitigate this, applications were pre-assessed within the Revenues Team prior to any grant awards being processed for payment, with additional post payment checks undertaken by Internal Audit for possible duplicate payments, and ensure that the criteria had been met by qualifying businesses. Where it is identified that grants may have been paid in error, obtained fraudulently or it is later deemed a business was non-compliant, in accordance with the Department for Business, Energy & Industrial Strategy (BEIS) guidance (May 2021), Wyre Forest District Council will undertake all reasonable and practical steps to obtain repayment of these grants.

➔ The following were stopped for not meeting the criteria as part of the prepayment checks being carried out: -

No.	Grant Type
2	Additional Restriction Grant applications
7	Retail/Hospitality/Leisure Grant applications
1	Local Restriction Support Grant application

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→The following grant payments were recovered/being recovered where it has since been established that the business was not entitled: -

No.	Grant Type	Comments
1	Additional Restriction Grant	Business had already legitimately received a Local Restriction Support Grant for the same period
1	Small Business Rate Relief Grant	Business not entitled to Small Business Rate Relief
6	Local Restriction Support Grant	For two businesses who were not mandated to close

5.4 CYBER CRIME

5.4.1 As the public sector becomes more digital in terms of service delivery, cybercrime becomes a growing challenge with hacking the main method of attempting to infiltrate networks. It is acknowledged that cyber incidents both nationally and internationally continue to rise at an alarming rate.

→During 2020~21 mandatory training around security awareness has been implemented with specific training modules provided by a third party {5.1.4 refers}. Phishing tests are run regularly, with articles in the e-magazine to remind all employees to remain vigilant as over 90% of cyber-attacks {crime and fraud} start with a phishing email. The ICT team have made it easier to report fraudulent emails by a Phishing Alert button incorporated into emails, that alerts both ICT and Corporate Fraud thus ensuring they are reported to the correct bodies and enables the ICT team to maintain/update required security systems e.g. email gateway rules.

5.4.2 Annual penetration tests are undertaken by the ICT Team using security specialists to ensure that the Council networks {both internal and external} cannot be hacked and the Council remain compliant with the Government Public Service Network. Since March 2020 following the national lockdowns which required more homeworking in line with Government Guidance, and the move from September 2021 for the council to implement a hybrid working footprint, the ICT Team continue to monitor and manage the existing IT security arrangements, parameters and firewalls to reduce the risk of cyber-attacks, ensuring vulnerabilities identified within the infrastructure are promptly addressed. A weekly email from KnowBe4 to the ICT team highlights a particular scam of the week that is currently being used by fraudsters to assist the ICT team in ensuring these are prevented at source from reaching employee mailboxes.

5.4.3 Whilst, as with all public services attempts were made to access the networks from unknown sources, none was successful. As part of the National Cyber Security Centre Pathfinder Initiative, Senior Managers attend Cyber Seminars to raise the awareness and mitigate against cyber fraud/attacks. Cyber Security Standards have been introduced for Service Managers and Data Owners to help protect the Council from threats posed by Cyber-attacks. Business Continuity Plans are reviewed to ensure that Cyber Crime{Fraud} is included as a key threat.

The Cyber Security Group and Information Governance Sub-Group is actively working with the Corporate Leadership Team and Service Managers to develop a robust Corporate Cyber Attack Response Framework which will complement and sit alongside the Cyber Security Strategy.

5.4.4 A cyber risk assessment undertaken by the Council's insurers recognised that on the whole the arrangements in place for the Council were very good. A recommendation was a refresh of the ICT Security Policy and Data Protection Training for which both have been addressed, with Data Protection Training in progress and the updated ICT Security Policy to be rolled out to all employees and

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members via KnowBe4 in due course with all mandated to acknowledge that they have read and understand the policy.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no additional financial implications arising directly from this report. The resources specifically devoted to anti-fraud activity are summarised in Section 3. The resource allocation for managing the Counter Fraud activity across the Revenues, ICT network security & Benefits Team and Internal Audit will continue to be monitored to ensure this area is appropriately resourced.

7. LEGAL AND POLICY IMPLICATIONS

- 7.1 Counter fraud work may have legal implications depending upon actions taken or decisions made.
- 7.2 The Corporate Director: Resources and the Council's Insurance Officer keep the Council's Cyber Insurance options under review in liaison with Zurich Municipal (our insurers) and Gallaghers our Insurance Risk Management advisors.
- 7.3 The Cyber Security and Information Governance Group is actively working on a Cyber Response Plan to sit alongside side other ICT/Cyber Security policies.

8. RISK MANAGEMENT

- 8.1 Participation in national data matching exercises, such as the National Fraud Initiative, and compliance with best practice help to manage the risk of fraud across the Council. Working with third parties, the sharing of data and contributing to national surveys allows for the identification of fraud and error and emerging risks within the public sector. This will continue to form the basis of the work for the Corporate Fraud Resource aligned to the Internal Audit Team.
- 8.2 The Compliance Officer posts within the Revenues and Benefits Team will ensure compliance across Council Tax and Business Rates to maximise income and minimise losses thus reducing the risk of error and fraud. The Compliance Officers also fulfil the requirement for a "Single Point of Contact" between the Council and the DWP.
- 8.3 In addition, the Council's 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. Internal Audit do not have responsibility for the prevention and detection of fraud or corruption. Managers are responsible for ensuring appropriate procedures are put in place to prevent and detect fraud. Internal Audit will cover fraud risk within the risk based audit plan, and be aware within their work of risks and exposures that could lead to or indicate fraud and corruption. Internal Audit as the Corporate Fraud resource will investigate any instances of fraud and corruption being perpetrated by any employee of the Council. Where relevant, Internal Audit will advise and assist Managers in any investigation.
- 8.4 The ICT Manager actively manages cyber risk to mitigate the potential for fraud. Work to strengthen the Council's cyber defences by raising awareness with

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employees and members continues with advice and support from external organisations. All Service Managers and data owners have a responsibility to meet minimum cyber security standards and ensure systems and data are only accessible at the appropriate level to those authorised to access them.

9. CONCLUSION

- 9.1 Whilst it is acknowledged that there will always be a risk of fraud and error within the Council, the outcomes outlined within this report demonstrate the Council's continuing commitment to a zero tolerance to fraud; and to maintaining an environment where fraud and corruption will not be tolerated. The Council will continue to manage the risk of fraud and further updates will be presented to the Audit Committee in due course.

10. CONSULTEES

- 10.1 Corporate Leadership Team
Cabinet Member for Finance & Capital Portfolio
Revenues, Benefits & Customer Services Manager
ICT Manager

11. BACKGROUND PAPERS

- 11.1 Fighting Fraud & Corruption Locally ~ A strategy for the 2020s
11.2 Cabinet Office ~ National Fraud Initiative Supplement ~ May 2021

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****24th November 2021****Risk Management – Corporate Risk Register**

OPEN	
CABINET MEMBER:	Councillor M Rayner, Cabinet Member for Finance and Capital Portfolio
RESPONSIBLE OFFICER:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Corporate Risk Register as at 31 st October 2021 Appendix 2 – Budget Risk Matrix 2021~24

1. PURPOSE OF REPORT

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

2. RECOMMENDATIONS

- 2.1 **The Audit Committee are asked to CONSIDER AND NOTE the Corporate Risk Register and the associated mitigating actions as at 31st October 2021 and the 2021-24 Budget Risk Matrix.**

3. BACKGROUND

- 3.1 Council approved a Risk Management policy statement and strategy in February 2008. The approved Risk Management strategy requires that the risk register entries for the Council, both strategic and operationally is considered by the Audit Committee.
- 3.2 The authority manages a corporate risk register for the significant organisational risks. The risk registers are held within the Pentana Performance (formerly Covalent) computer application. Arrangements are in place to ensure that access is available to all officers who require it.
- 3.3 Following a full collaborative procurement exercise this year Zurich Municipal were appointed to continue as the Council's insurers and will continue to provide specialist advice on Risk Management as this helps keep the costs of insurance down. The Risk Register is one of the key documents we provide to our insurers for the review of risk. We are also working with an Independent Specialist Insurance and Risk Management expert from Gallagher commissioned to work across the Insurance Consortium and this is proving beneficial to supplement the Zurich contract.

- 3.4 In addition to this external review, the Risk Register is reconsidered and updated annually by the Corporate Leadership Team (CLT). This ongoing review is led by the Corporate Director: Resources in liaison with the Cabinet Member for Finance and Capital Portfolio. The Corporate Risk Register for 2021-22 is attached at Appendix 1; it has been developed and approved by the Corporate Leadership Team with input from all Service Managers as appropriate.
- 3.5 The Corporate Risk Register is closely allied to the Budget Risk Matrix approved annually by Council as part of the Medium-Term Financial Strategy and updated as part of the Quarterly Budget Monitoring reports attached as Appendix 2.
- 3.6 A report was considered and noted by Audit Committee on the 28th July 2021 that reviewed the Corporate Risk Register and included revisions to reflect the impact and increased risk of COVID-19.

4. KEY ISSUES

- 4.1 Risk Management is embedded within the Council through the Corporate Risk Register. Any report considered by Members includes a Risk Management Section and in addition to this, specific registers are maintained and monitored separately for significant individual projects.
- 4.2 The Budget Risk Matrix is closely allied to the Corporate Risk Register and is reported to Members as part of the budget process. It is updated at least quarterly and reported as part of the regular Budget Monitoring Reports to Cabinet.
- 4.3 The inability to deliver a balanced budget is one of the Council's key corporate risks. The Risk Register for 2021-22 is regularly reviewed by CLT to ensure it is up to date and appropriate mitigating actions are in place.
- 4.4 It is appropriate for the Audit Committee to consider the current Corporate Risk Register attached at Appendix 1, updated to the end of October 2021, and agreed by CLT. The Corporate Risk Register will continue to be reported on a six-monthly basis to the Audit Committee, following consideration by the Corporate Leadership Team.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Regulation 3 of the Accounts and Audit Regulations 2015, state that:
“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.”
- 6.2 In addition, Regulation 4 of the Accounts and Audit Regulations 2015 also state that:

“The financial control systems determined must include measures to ensure that risk is appropriately managed”.

- 6.3 The Council’s corporate Governance Framework considered by the Audit Committee on 17th March 2008, includes Core Principle 4 - Taking informed transparent decisions which are subject to effective scrutiny and management of risk.

7. RISK MANAGEMENT

- 7.1 The consideration and management of risk is good practice. Risk Management processes are required to effectively manage and evidence the management of key risks as an aid to achieving the Council’s corporate objectives and demonstrating good Corporate Governance allowing Managers to manage their risks and bring to a corporately acceptable level.
- 7.2 Financial risk continues to be the most significant risk facing this Council and many others and this is increased significantly due to the ongoing uncertainty surrounding the impact of the recovery from the COVID-19 pandemic. Sections 25-27 of the Local Government Act 2003 require the Section 151 Officer to report on the robustness of the estimates and the adequacy of its proposed financial reserves and this is included as Appendix 4 to the MTFs Council report approved by Council on 1st March 2021.
- 7.3 Ongoing good governance is also key to managing the new risks in these unprecedented times. The extraordinary Council meeting on the 21st April 2020 updated our constitution that underpins good governance allowing for remote meetings that continue to operate successfully and also included some revisions to Financial Regulations.
- 7.4 The risks associated with the Capital Portfolio and Development Loans Fund Strategies and the steps adopted to mitigate them, were set out in depth in appendices 3/1 and 3/2 to the medium term financial strategy report, which was considered by Cabinet on 20th December 2016 (see hyperlink at section 11.4) and are regularly updated as part of the Capital Strategy reports. The refresh of policies and strategies in relation to the Capital Portfolio can be found in the December 2020 Capital Strategy 2021-2031 report. The Capital Portfolio Overview and Scrutiny Monitoring Reports cover risks specific to these property acquisitions in detail. The suite of related Quantitative Indicators in accordance with CIPFA guidance, is included with both the Treasury Management Reports and also the Annual Capital Strategy.
- 7.5 The first full year of compliance for the CIPFA Financial Management Code (FM) is 2021-22. Audit Committee on the 26th May 2021 considered a report noting that overall there is a high level of compliance with the standards contained in the FM Code with room for continuous improvement in some areas. This is closely allied to the Risk Register and updates will be provided in future reports.

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. CONCLUSION

- 9.1 The corporate risk management process ensures that risks are monitored, and action taken to minimise the impact on the Council. The Corporate Risk Register and Budget Risk Matrix as attached at Appendices 1 and 2 provide a realistic overview of the major risks affecting the Council, including the ongoing impact of the recovery from the COVID-19 pandemic and will be monitored on a regular basis by the Corporate Leadership Team with six monthly reports to the Audit Committee.

10. CONSULTEES

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

11. BACKGROUND PAPERS

- 11.1 The Annual Audit Findings report – Audit Committee 31st July 2017
11.2 The Annual Audit Findings report – Audit Committee 30th July 2018
11.3 The Annual Audit Findings report – Audit Committee 29th July 2019
11.4 Cabinet - 20 December 2016. Risk mitigation in relation to the Capital Portfolio Fund and Development Loans Fund
<http://www.wyreforestdc.gov.uk/media/2639628/20161220FinancialStrategy2017-2020IncludingCover.pdf> (pages 34 to 54).
11.5 Medium Term Financial Strategy Report 2021-24 – Cabinet 22nd December 2020
11.6 Capital Strategy 2021-2031 Report – Cabinet 22nd December 2020
11.7 Financial Stress Testing – Coronavirus Cabinet report of July 7th 2020
http://www.wyreforest.gov.uk/council/docs/doc55902_20200707_cabinet_agenda.pdf
11.8 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
11.9 Audit Committee Information Pack - 25th March 2020
http://www.wyreforest.gov.uk/council/docs/doc55711_20200401_officer_decision_report.pdf
11.10 Risk Management – Review of Corporate Risk Register – COVID-19 – Audit Committee 22nd July 2020
http://www.wyreforest.gov.uk/council/docs/doc55958_20200722_audit_committee_agenda.pdf
11.11 Risk Management – Review of Corporate Risk Register – COVID-19 – Audit Committee 28th October 2020
http://www.wyreforest.gov.uk/council/docs/doc56103_20201028_audit_agenda.pdf
11.12 Risk Management Report Audit Committee 24th March 2021
http://www.wyreforest.gov.uk/council/docs/doc56491_20210324_audit_agenda.pdf
11.13 The CIPFA Financial Management Code Report – Audit Committee 26th May 2021
http://www.wyreforest.gov.uk/council/docs/doc56656_20210526_audit_agenda.pdf
11.14 Risk Management Report Audit Committee 28th July 2021

Corporate Risk Register 2021/22



Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

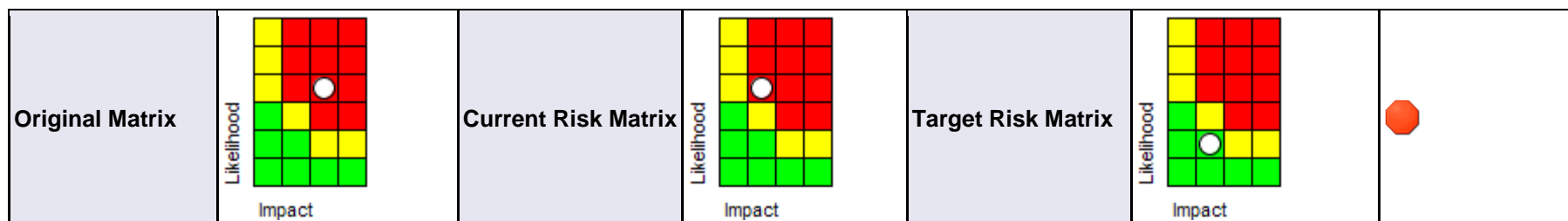
CORPRISK01 **Failure to adapt to streamlining of service delivery.** The Council continues to make plans to close the increased funding gap and this inevitably means it will continue to undergo major transformational change as set out in the indicative timetable in section 6.21 of the December 2020 MTFS Cabinet report. Whilst this change will include the review of processes, cultural and behavioural change, it will also involve the cessation/transfer of some services and a management review to be implemented no later than April 2022. This transformational work must be carefully managed with risk mitigated by robust due diligence and use of external expertise and alternative service delivery vehicles as appropriate. The timing of the management review represents a risk due to the potential significant loss of corporate memory. Activity to mitigate this risk has been delayed by the Covid-19 Pandemic – see COPRRISK 16.

	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
Original Matrix	Current Risk Matrix	Target Risk Matrix		



MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
Regular CLT/ cabinet meetings focussed	Corporate Leadership	30-Apr-2022	Monthly Cabinet/CLT meetings to discuss	<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; padding: 2px;">45%</div> <div style="margin-left: 10px;"></div> </div>

on change, demonstrating leadership by example and maintained by regular updates at corporate briefings and team meetings etc.	Team; Ian Miller		a range of strategic issues and opportunities for change. Corporate Briefings delivered in February and June 2021.		
Use of external expertise to identify and manage commercial opportunities and advise on the most appropriate mode of service delivery.	Corporate Leadership Team; Mike Parker	31-Mar-2022	Work ongoing.	0%	
Demonstrating robust and focussed leadership in all transformation activity	Corporate Leadership Team; Rachael Simpson	31-Mar-2022	Ongoing	50%	
Progress Service Transformation reviews as agreed as part of the MTFS 2021-24 indicative programme of work	Corporate Leadership Team	30-Apr-2023	Consultation paper on proposals for revenues, benefits and customer services was launched on 23 September with potential savings of £250K and early work on other transformation work is progressing	20%	
Progress Management Review	Corporate Leadership Team	31-Dec-2021	Council on the 12th May 2021 approved a revised Management Restructure to be implemented by 31st December 2021.	70%	






CORPRISK02	<p>Unable to improve the economic prosperity of the district. Lack of vitality in the local economy - although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy. The Council is now in its eleventh year of the State of the Area Programme which includes a number of projects to assist in the stimulation of economic recovery. The Council continues to host of the North Worcestershire Economic Development and Regeneration Service (having adopted a new North Worcestershire Economic Strategy in 2019 and new Strategic Asset Management and Business Growth and Enterprise Strategies in 2021) and maintains its membership of two Local Enterprise Partnerships and continues to maximise the benefit of that position, although it is recognised that this may change as the Government seeks to eliminate dual LEP membership from a future date that is as yet unknown. The Business Rates Retention Scheme introduced in 2013/14 increases the incentive to promote growth as there is significant financial risk to this Council if we are unable to sustain the baseline level of the business rates reflected in government projections. The detail in relation to reform of the Business Rates System has been delayed yet again so we will continue to review our position as more information is released. Ongoing membership of the Worcestershire Business Rates Pool has only mitigated this risk to a certain extent and economic growth is key to the future financial sustainability of the Council, this may change following Business Rates Reform. The Council has successfully bid for funding through the Future High Streets Fund initiative and begins its £20.5m programme in earnest to ensure delivery by end of March 2024. The announcement of the Levelling Up Fund and Community Renewal Fund offer additional opportunities to secure further funding for projects in the district The impact of Brexit influences this risk and COVID-19 presents a significant challenge and increase in this key risk, but the Council has been proactive in distributing Covid related funding to businesses.</p>
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to implement actions from the Worcestershire Housing Strategy including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2022	Main Modifications out for consultation with the public October and November 2021. Following that we hope to have the final report from the Planning Inspector in 2022 with the adoption in early summer 2022. The Worcestershire Housing Partnership Plan will be replaced by a Worcestershire Housing Strategy likely to come before members for sign off at the end of 2021/start of 2022. The Homelessness and Rough Sleeping Strategy 2019-2022 action plan for this is out for consultation and work on the new Homelessness and Rough Sleeper Strategy has commenced for adoption at the end of 2022.	50%	▶
Collection of Council Tax and Business Rates Local Council Tax Reduction Scheme requires approximately 5000 Customers to pay at least 20% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention Scheme requires Local	Lucy Wright	31-Mar-2022	As of 1st October 2021, Council Tax in year collection rates were 57.79% compared to 57.02% at the same time last year which is a significant improvement. CTRS claimants were awarded up to £150 in 2020/21 and so are having to pay more this year. However, the removal of the £20 UC uplift will mean more CTRS	50%	▶

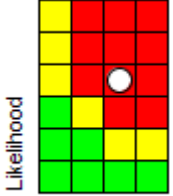
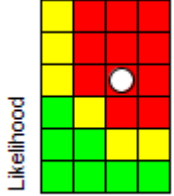
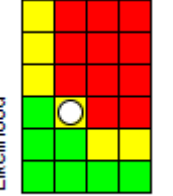

<p>Authorities to focus on Business Rate collection to avoid further financial pressure.</p>			<p>expenditure from October 2021. NNDR collection rates as at 1st October were 53.37% compared to 49.77% for the same period in 2020/21</p>		
<p>Generation of additional Business Rates Income through continued delivery of regeneration and continued utilisation of policies for development loans fund and capital portfolio fund.</p>	<p>Mike Parker</p>	<p>31-Mar-2022</p>	<p>Second Quarter 2021/22 0.729 increase in the second quarter from £21,208,263 up to £21,364,103. Due to lock down the Government with effect from 01/04/2021 are giving retail, hospitality, nurseries and leisure businesses 100% off their business rates for the first three months and then 66% from 01/07/2021 to 31/03/2022, however some of the increase is due to the large superstores and supermarkets refusing the retail discount and paying 100% business rates. This will be reimbursed via a S31 grant. Coronavirus is still having an impact on businesses in the Wyre Forest area as a lot have not reopened and many others may not be able to continue trading. The Valuation Office Agency is currently looking at the Supermarket appeals on the 2010 list, however the final Court decision has been made on ATM machines, the Valuation Office have now taken out of rating a lot of the machines from the date they were included in the list.</p>	<p>50%</p>	
<p>Influencing a positive outcome to the LEP Review, taking account of the potential impact of the Brexit process.</p>	<p>Ian Miller; Mike Parker</p>	<p>31-Mar-2022</p>	<p>Terms of Reference for review now published; no direct role as resposdee for Local Authorities and therefore responses will be directly from the LEPs and including where possible comments from District Council partners. Decisions on geography of LEPs now expected in Autumn 2021.</p>	<p>25%</p>	




Agenda Item No. 9 – Appendix 1

Delivery of redevelopment of former Lloyds Garage site and adjoining land (STC.4)	Mike Parker	31-Oct-2021	Awaiting any firm proposals from Stourport Town Council or Stourport Forward.	<div style="width: 25%;"><div style="background-color: #4F81BD; height: 10px; width: 100%;"></div></div> 25%	
Redevelopment of former Frenco site adjacent Hoobrook Enterprise Centre to provide 9 new units	Mike Parker	31-Aug-2020	Following Council decision in July 2021, a further tendering process has been undertaken and is due to be reported to a special meeting of the Council 2 November 2021. Currently anticipated, if Council agree to appoint preferred contractor, works to complete units will not be finalised until the end of February 2022.	<div style="width: 80%;"><div style="background-color: #4F81BD; height: 10px; width: 100%;"></div></div> 80%	
Purchase of land and six industrial units on Silverwoods Way (land opposite Aldi)	Mike Parker	31-Dec-2021	Erection of units has progressed well, due to be completed and handed over mid-late October 2021. Promotion by DLS Dillon has been successful with some units to be let and occupied immediately. Interest in remaining units due to be positive with a view of full letting of site in 3-6 months.	<div style="width: 95%;"><div style="background-color: #4F81BD; height: 10px; width: 100%;"></div></div> 95%	
Redevelopment of area around bullring and former Crown House	Mike Parker	31-Mar-2024	Further report on progress went to Cabinet in September 2021 and agreed next stages of appointments for Future High Street Fund (FHSF). Design works ongoing; and appointment of Public Sector Plc (PSP Facilitating Ltd T/A PSP) also agreed to bring forward in parallel with FHSF to develop site opportunity.	<div style="width: 10%;"><div style="background-color: #4F81BD; height: 10px; width: 100%;"></div></div> 10%	
Implementation of improved connectivity from West to East including acquisition and demolition of properties and reconfiguration of Bromsgrove Street Car Park	Mike Parker	31-Mar-2024	Planning application submitted and currently with Development management Team for determination. Publicity has been undertaken, including an on-site drop-in session which was well attended; and contributions towards design will be discussed as part of determination of Planning application. September meeting of Cabinet considered update report on	<div style="width: 15%;"><div style="background-color: #4F81BD; height: 10px; width: 100%;"></div></div> 15%	

			interest from prospective tenants of completed project together with the option of future management of building once work is complete and tenants take occupation. Difficult at this stage to identify tenants and operating modes as too early for commitment on project not due for completion until mid 2024.		
Implementation of improved connectivity from West to East including acquisition and demolition of properties and reconfiguration of Bromsgrove Street Car Park	Mike Parker	31-Mar-2024	As with Bullring project Cabinet considered update at September meeting and agreed approval of design team to bring forward FHSF public reach of the project; together with appointment of Public Sector Plc (PSP Facilitating Ltd T/A PSP) to bring forward development of site element parallel with FHSF project. There has been a slight delay caused with acquisition of remaining properties due to presence of live electrical sub station basement of one of the properties which has needed engagement with Western Power in order to agree suitable course of action to remove sub station to allow current plans to take place.	5%	

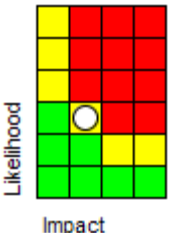
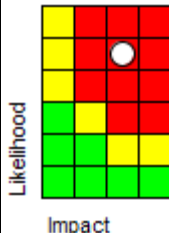
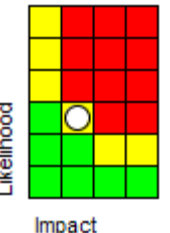

CORPRISK03 **Unable to deliver good quality, affordable homes.** The need for good quality, decent and tenure appropriate affordable homes in the district is increasing but supply relative to demand in decreasing. The risk is increased by the emerging national position regarding changes in the National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

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to implement actions from the Worcestershire Housing Strategy including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2022	Main Modifications out for consultation with the public October and November 2021. Following that we hope to have the final report from the Planning Inspector in 2022 with the adoption in early summer 2022. The Worcestershire Housing Partnership Plan will be replaced by a Worcestershire Housing Strategy likely to come before members for sign off at the end of 2021/start of 2022. The Homelessness and Rough Sleeping Strategy 2019-2022 action plan for this is out for consultation and work on the new Homelessness and Rough Sleeper Strategy has commenced for adoption at the end of 2022.	50%	
Delivery of redevelopment of Castle Road car park (adjacent to Former Fire Station) for temporary accommodation	Kate Bailey	31-Oct-2022	The initial business case has been agreed by Cabinet and currently working on the procurement arrangements for the project and development team and the related consultants via the Bloom Framework. Anticipate submitting a planning application in Winter and start on site Summer 2022 with completion 12-18 months later.	40%	
Acquisition of land and assembly with Council owned land to create a redevelopment opportunity to provide residential accommodation to support the Council's homelessness function	Kate Bailey	31-Dec-2022	Work to agree heads of terms and land transfer/acquisition underway on three sites in Kidderminster. Registered Providers engaged and working with the Council to identify appropriate end user. Council officers working with County Council to identify funding stream for support provision in relation o one of the	40%	


			sites and Housing Benefits regarding Intensive Management on the second site. The third site likely to be for general needs housing.		
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CORPRISK04 **Unable to deliver a sustainable budget for the long term.** The outcome of the Fair Funding Reform has been deferred past 2021-22 and represents a significant risk. There was a 1 year Spending Round for 2021-22. The Reset and Fair funding review will now be put back to 2022-2023. The future of Negative RSG is also uncertain. The working assumption is that NHB Legacy payments will be paid. The 2021-24 Medium Term Financial Strategy projected a much lower level of government funding over the next 2 years with RSG phased out completely by 2019-20 and NHB being reformed for which no funding is paid than previously expected. Additional COVID funding was included but this did not mitigate the full extent of lost income/increased costs. The success of this strategy is reliant on the delivery of significant savings to close the funding gap of circa £2.7m per annum by 2023-24. This ambitious programme of savings and income generation must be carefully managed by the Leadership team (officers and members) and achieved. Transformation work includes a review of Wyre Forest House to identify the preferred option for future ownership/use. The reliance on external income streams/funding brings with it increased risk around the continuation of these income streams that are based on the decisions of third parties. The Business Rates Retention Scheme and the imposition of further reductions/cessation in Government funding streams represents significant corporate financial risk. These risks include the uncertainty around the future of New Homes Bonus as it is clear that there will be a significant reduction in this funding stream. Business Rates reform, growth and the risk of Appeals resulting in lower Business Rates yield represent a key risk to future sustainability. The two significant council policies for development loans fund and capital portfolio fund are intended to generate both housing and business growth whilst also generating a net revenue income stream to help alleviate the significant financial pressures but these have been adversely impacted by COVID and recovery is uncertain. The future of leisure provision within the district is also unclear and this represents significant financial risk given the excellent terms of the contract with Places Leisure. The introduction of a Financial Resilience Index by the Chartered Institute of Finance and Accountancy (CIPFA) may prompt further challenge to our future financial resilience. The Council has also responded to the findings of the follow up visit by the LGA peer review team. Brexit and COVID-19 also impact on financial sustainability. Corporate Risk 16 covers the COVID-19 pandemic impact on the Council including the significant financial impact. Corporate Risks 03 – Affordable Homes and 16 is also allied to delivery of a sustainable budget.




Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS

Description	Managed By	Due Date	Latest Note		
Delivery of the Wyre Forest Forward Programme/Efficiency Plan likely to be remain challenging given the target savings assumed in the approved budget requiring circa £2.7m further savings in the next 3 years. Work continues on identifying how the increased savings target can be achieved and the detail of any changes that require political approval will be included in next year's budget strategy.	Corporate Leadership Team; Ian Miller; Tracey Southall	31-Mar-2022	Savings from the Management Restructure approved at May 2021 Council are now reflected in the savings control. Other early transformation work progressing with proposals for Revenues, Benefits and Customer Services proceeding for implementation from April 2022 subject to all relevant approvals being in place.	20%	
Collection of Council Tax and Business Rates Local Council Tax Reduction Scheme requires approximately 5000 Customers to pay at least 20% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention Scheme requires Local Authorities to focus on Business Rate collection to avoid further financial pressure.	Lucy Wright	31-Mar-2022	As of 1st October 2021, Council Tax in year collection rates were 57.79% compared to 57.02% at the same time last year which is a significant improvement. CTRS claimants were awarded up to £150 in 2020/21 and so are having to pay more this year. However, the removal of the £20 UC uplift will mean more CTRS expenditure from October 2021. NNDR collection rates as at 1st October were 53.37% compared to 49.77% for the same period in 2020/21	50%	
Regular meetings to facilitate effective communications. Regular additional Cabinet/ CLT meetings in 2021-22 to focus on future financial strategy and Wyre Forest Forward savings achievement.	Corporate Leadership Team; Ian Miller	31-Mar-2022	Programme of meeting for 2021 including the ongoing financial impact of COVID-19. Regular meetings between Cabinet and CLT on future direction of the Council and uncertainty surrounding the ongoing financial stability that is dependent on Government funding and transformation work to close the financial gap	40%	
Further progression of policies for development loan fund and capital portfolio fund. Use of external support/expertise to manage fund and	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2022	Ten-year Capital Strategy was approved at Council on 1st March. Single approved development loan completed. Future of development loan fund to be considered	60%	

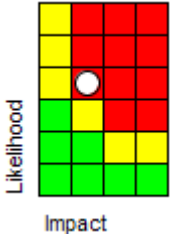
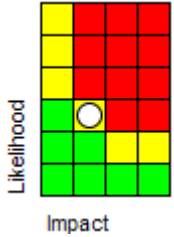


<p>produce each business case/performance due diligence. MHCLG investment guidance and revised Codes of Practice for Prudential Code and Treasury Management reflected in Capital Strategy. Close monitoring of economic outlook/external factors influencing market rates including Covid-19.</p>			<p>as part of the MTFS report.</p>		
<p>To continue to progress the Corporate Fraud role aligned to the Internal Audit Team to focus on non-benefit fraud, continue to raise awareness of national issues as part of the Fighting Fraud and Corruption Locally Agenda working in close liaison with Services and ICT; to raise awareness of risks associated with cyber fraud and management of information. There will also be close liaison with the Compliance resource within the Revenues team with updates to the Audit Committee. Implementing redevelopment proposals to generate new revenue streams</p>	<p>Cheryl Ellerton; Tracey Southall</p>	<p>31-Mar-2022</p>	<p>To raise awareness and demonstrate the commitment of the Council to tackling fraud and protecting the public purse. A formal report on the counter fraud arrangements within the Council for an annual report is presented to the Audit Committee {2020/21~in October 2020} with a position statement on 2021/22 arrangements scheduled for September 2021. The Councils commitment to a zero tolerance of fraud continues with current fraud and cyber scams published within the Wyred Weekly e-magazine. With heightened fraud risks and cyber scams following the lockdowns and tier restrictions during the Covid19 pandemic regular monitoring of new threats continues with weekly updates from the National Anti-Fraud Network reviewed and shared with service managers as appropriate.</p> <p>The mandatory National Fraud Initiative has been commenced. The required mandatory sets for Payroll, Trade Creditors, Taxi Driver Licences, Council Tax Single Person Discounts, Electoral Register, Housing Benefits and Council Tax Reduction Scheme have been provided to the Cabinet Office for the</p>	<p>40%</p>	

			2020/21 national data matching exercise, along with details of the recipients of the Covid-19 Business Grants. All data matches are currently being reviewed and the outcomes will be reported to the Audit Committee during 2021. In addition, the Compliance Officers within the Revenues & Benefits Team are undertaking a further review of Single Person Discounts through the Cabinet Office, National Fraud Initiative portal. This service aims to assist local authorities identify incorrectly claimed discounts quickly and efficiently making use of additional intelligence resources to include confirmation of residency and financial footprints.		
To monitor the recovery of Income streams post COVID. It is unclear if the Government's sales, fees, and charges co-funding arrangements will be continued past end June 2021 and some income streams such as property income were not covered. Given that it is highly unlikely that income streams will have recovered in line with the 2021-23 budget assumptions this is a key risk.	Steve Brant; Tracey Southall	31-Mar-2022	Quarter 1 budget monitoring report included updates on income streams. September MTFS will also update on this key area.	<div style="border: 1px solid black; width: 80px; height: 20px; background-color: #e0e0e0; display: flex; align-items: center; justify-content: center;">50%</div>	
Business Rates Retention Scheme. To continue to contribute to the reform debate to maximise the council's future position.	Tracey Southall	31-Mar-2022	At the end of September 2021, collection rates for NNDR are 3.60% above the same time last year. Bills have been issued to businesses who qualify for Expanded Retail Discount to grant them 100% relief for the period 01.04.2021 - 30.06.2021 and 66% relief for the period 01.07.2021 - 31.03.2022. They will have to pay 34% of the annual bill for the year.	<div style="border: 1px solid black; width: 80px; height: 20px; background-color: #e0e0e0; display: flex; align-items: center; justify-content: center;">50%</div>	






<p>Implementing redevelopment proposals to generate new revenue streams</p>	<p>Mike Parker</p>	<p>31-Mar-2022</p>	<p>Council continues to consider any opportunity that may arise in District, but the current policy limits opportunities, and at present non are in progress.</p>	<p>0%</p>	
<p>To continue to monitor impact of Universal Credit noting the significant increase in the number of claimants as a result if Covid-19.</p>	<p>Lucy Wright</p>	<p>31-Mar-2022</p>	<p>The current pandemic has seen a sharp rise in UC claimants. The impact for WFDC is that more people are claiming CTRS.</p> <p>Our working age caseload was 4,396 on 1st April 2020 rising to 4,937 on 1st Sept 2021. However, CTRS expenditure has remained fairly static due to less pension age claimants (3,359 on 1st Sept 21 compared to 3,568 on 1st Apr 2020. In Sept 2020, CTRS expenditure was £7.516m and in Sept 2021 CTRS expenditure was £7.479m. This cost is shared across all preceptors</p>	<p>50%</p>	
<p>To monitor the potential impact of the government's waste strategy in terms of securing Government funding and the logistical implementation of changes. This could reduce current commercial income streams</p>	<p>Steve Brant; Ian Miller</p>	<p>23-Mar-2023</p>	<p>The national Resources and Waste Strategy for England 2018 (RWS) will drive a range of changes and measures to achieve a more Circular Economy, moving from an inefficient take, make, use, & throw away culture to keeping resources in use for as long as possible. The government's clear direction is for the increased segregation and treatment of waste streams and a new target of 65% recycling. The Environment Bill will provide landmark primary legislation for delivery of the policies and approaches set out in RWS. It has passed through the detailed committee stage in the House of Commons and on 26th January a delay was announced with Royal Assent originally expected in Spring now put back</p>	<p>35%</p>	

			<p>to Autumn 2021. The Bill will require the separate collection of food waste every week from all households</p> <p>The Bill awaits 3rd reading in the House of Lords.</p> <p>Three formal consultations undertaken by the Government: EPR, DRS & Consistency.</p>		
Following review and introduction of hybrid working to review office operational floor space requirements at Wyre Forest House and Green Street with a view to potential relocation of office requirement.	Mike Parker	30-Sep-2021	Following Government advice and guidelines the Council has welcomed back its staff and tenants to Wyre Forest House and Green Street in accordance with its new flexible approach to hybrid working enabling staff to work flexibly between home and office environment where the service area allows, such working to take place. The consequential impact of the Council's administration footprint is still under discussion with Cabinet.	25%	

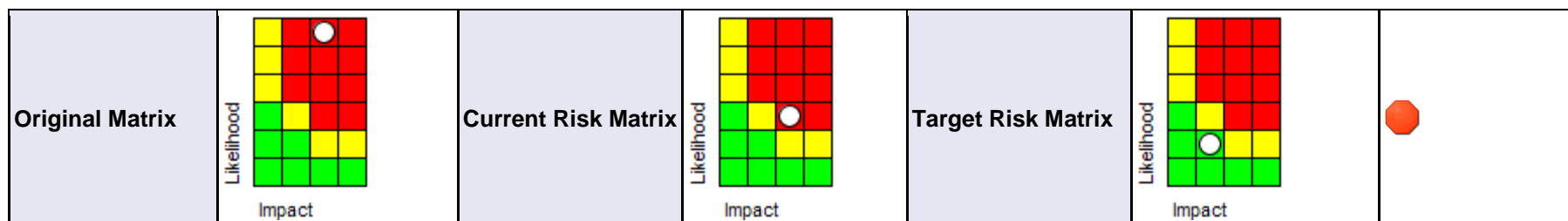
CORPRISK05 Council 'misses' important issues and/or is in breach of a requirement. The Council is a small organisation but it is still expected to respond to, and comply with, new legislation, strategies, audit requirements, health and safety requirements and inspection regimes to meet our insurer's high standards. The potential impact of Brexit and COVID-19 so increase this risk.

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS

Description	Managed By	Due Date	Latest Note		
Support and advice on major strategic projects to ensure sound and robust arrangements including Capital Portfolio and development loans fund.	Jane Alexander	31-Mar-2022	Work continues and on schedule for completion by 31st March 2022	50%	
To ensure the leadership team keeps abreast of statutory changes in legislation and seek to influence consultation and seek to prepare for changes in legislation.	Caroline Newlands	31-Mar-2022	Work continues and on schedule for completion by 31st March 2022	50%	
Continue to improve and develop Strategic management of information governance risks including follow up of Zurich Municipal in previous annual review recommendations	Corporate Leadership Team; Tracey Southall	31-Mar-2022	The merged Cyber Security Information Governance Group continues to meet, and the agreed action is being implemented.	50%	
Budgetary Control - ongoing development of reporting to include further enhancement of demand-led commercial income reporting and earlier identification of variances.	Helen Ogram; Tracey Southall	31-Mar-2022	Quarter 1 budget monitoring was approved by September Cabinet. Monthly reports to Cabinet/CLT continue. Quarter 2 variances will be reported on as part of the revised budget process	40%	
Monitor the impact of Brexit and Covid-19 and report on any significant changes in requirement as appropriate	Corporate Leadership Team	31-Mar-2022	The Chief Executive is the nominated lead for Brexit and shares relevant updates appropriately. Regular reports on Covid-19 impact.	0%	

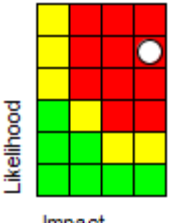
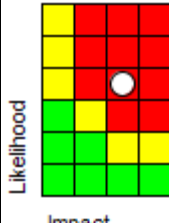
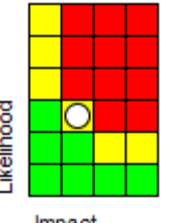

CORPRISK06	<p>Implementation of ICT Strategy. There continues to be significant investment in the development of technology at the Council. The ICT Strategy was agreed in February 2018 as part of the budget process with a further approval of £653k approved in February 2020. This is being implemented across the authority with progress and governance provided by the ICT Strategy Board. A number of new websites have been implemented and the focus continues to be on supporting the move to greater self-service by customers, ensuring continued PSN compliance, update systems to ensure best value / efficiencies and refreshing ICT platforms / systems to deliver ICT services / and systems over the Medium Term Financial Strategy. There are emerging issues around some integration limitations that may hinder some transformation work streams. A risk of reliance on key suppliers for network products also exists as the ICT market is very fast paced and companies can frequently be subject to merger/changed ownership. The Council needs to be aware of software support expiry dates; consideration of this issue is included within the ICT Strategy for replacement of corporate system i.e. Office and business systems. The Council needs to maintain high levels of Cyber Security to protect against malware, hacking etc. particularly in light of the increased requirement for homeworking and remote meetings.</p>
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
ICT Security and Governance is key to maintaining high levels of Cyber Security and ICT Security in general to protect the Council ICT Infrastructure and Data from malware, hacking and data breaches. This is particular important with the increase in home / remote working, rise is sophisticated cyber-attacks and use of mobile devices. Mitigation of the risks doesn't just involve the use of technology such as firewalls, virus software etc but user training and awareness of Councils ICT Security policies.	Dave Johnson	31-Mar-2022	Email phishing campaigns on going as is cyber security training. Data protection and Password security courses have now been rolled out. Updated ICT Security policy due to be rolled out shortly	35%	
Continue to deliver the ICT Strategy to achieve additional efficiency savings.	Dave Johnson	31-Mar-2023	See detailed update re sub actions	81%	
Digital by Default is the expected method of interacting with the Authority	Dave Johnson; Dave Johnson	31-Mar-2023	Continue to support depot re MCS and project plan for roll out of next stage. Contract due to be signed shortly for new income management system and new Allpay contract for payment services	82%	
Application Software	Dave Johnson	31-Mar-2023	Contract due to be signed for Income Management system. Investigation into	77%	

<ul style="list-style-type: none"> o MS Office o Planning system o Garage system o CRM 			cemetery management systems at an early stage. Major upgrades over Oct / Nov to Land Charges and Planning's Idox system		
<p>ICT Infrastructure</p> <ul style="list-style-type: none"> o New Wireless o Complete Firewalls o Complete data line install o Shoretel upgrade o VMWare upgrades o Mobile Phones 	Dave Johnson	31-Mar-2023	Continue to roll out equipment as required. At early stages re review of Telephone System / Universal commons and also network switches.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4a86e8; position: relative;"> 87% </div>	▶
<p>Review and Update Security Systems including Firewalls/ Web filter/New Email Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)</p>	Dave Johnson	31-Mar-2023	Updating Office 365 security and Mobile device security using O365 intune instead of Blackberry and checkpoint, for roll out later in the year	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4a86e8; position: relative;"> 78% </div>	▶

CORPRISK07 **Not able to maintain a skilled and motivated workforce.** This risk is set against the background of the recent pay and grading review and reversion back to National Pay Agreement for annual pay inflationary uplifts from April 2021 The Council needs to continue to maintain a workforce with adequate capacity, skills, experience and motivation – so still being seen by staff as a good employer. This will be challenging against the backdrop of the significant transformation work needed to close the Funding Gap and also the earlier management review to be implemented by April 2022. The Council has started to experience retention issues in some key areas e.g. loss of the Procurement Officer and Commercial Manager. Various restructures following the move to the Wyre Forest House have already provided slimmer management structures and more devolution of responsibility which has previously assisted in motivation and retention of the workforce, alongside a management development programme. The age profile of the workforce and increasing number of employees aged 55 and over needs to be considered together with succession planning in future workforce restructures. The Council has responded to findings from the peer review follow up visit that relate to workforce issues.

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Progression of Wyre Forest Futures Leadership Development Programme and training and development budget to support it.	Rachael Simpson	31-Mar-2022	Emerging Leaders Programme developed and commenced delivery in October for new CLT	50%	
Develop initiatives to support any workforce through organisational change including involvement of staff through suggestion scheme and System Thinking. The continued practice of regular staff surveys allows the leadership team to develop initiatives to respond positively to feedback and suggestions.	Rachael Simpson	31-Mar-2022	Ongoing and continually under review. Support and training programme was developed and delivered as part of hybrid working model.	50%	

CORPRISK08 **Capacity to do everything is insufficient.** A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, and review of partnerships to commence in 2021. The pace of change and need to continue to deliver key projects, represent a significant resourcing risk, particularly in view of the management review to be implemented from April 2022 (latest). This leads to concerns about sufficient capacity to deliver the Wyre Forest Forward Savings/ efficiency plan and the ability to provide effective leadership for the management of the Council. This is particularly true given the increased savings targets from 2021-22 as a result of reductions in central government funding and the additional resource required to deliver the policies for development loans fund and capital portfolio fund. The impact of Coronavirus (COVID-19) represents a risk to business need see CORPRISK 16.

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS			
Description	Managed By	Due Date	Latest Note



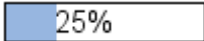

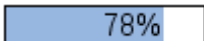

Ensure resources are monitored and managed to protect capacity issues when Systems reviews take place. The Innovation Fund/General Risk Reserve is used to allocate funding to support interventions and consideration will be given to topping up these reserves at year end.	Ian Miller	31-Mar-2022	CLT continues to review past allocations in order to release unused resources to the innovation fund. An additional allocation was made from final accounts savings of £150K.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #e0e0e0; position: relative;"><div style="position: absolute; top: -10px; left: 5px; background-color: #4f81bd; color: white; padding: 2px;">35%</div></div>	
Ensure involvement of appropriate staff from both within and outside WF20 onto projects to spread resourcing and maximise the opportunities for success.	Ian Miller	31-Mar-2022	Cross directorate working groups on Digital First and Information Governance. Staff from appropriate teams involved in other projects e.g. Capital Portfolio Fund, hybrid working arrangements.	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #e0e0e0; position: relative;"><div style="position: absolute; top: -10px; left: 5px; background-color: #4f81bd; color: white; padding: 2px;">35%</div></div>	
Progressing changes to monitoring attendance levels. Working closely with employees, maintaining conversation and development opportunities in accordance with our values and the Worcestershire works well agenda.	Rachael Simpson	31-Mar-2022	Ongoing support being provided to employees to assist with their well-being and support managers to proactively manage staff sickness. Increased focus on data analytics to identify 'hot spots' and specific reasons of absence	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #e0e0e0; position: relative;"><div style="position: absolute; top: -10px; left: 5px; background-color: #4f81bd; color: white; padding: 2px;">25%</div></div>	
Utilise external support for property investment /management expertise to expedite implementation of policies on development loans fund and capital portfolio fund.	Mike Parker	31-Mar-2022	Quarter 3 2021 performance to be reported to Cabinet/CLT in November 2021	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #e0e0e0; position: relative;"><div style="position: absolute; top: -10px; left: 5px; background-color: #4f81bd; color: white; padding: 2px;">50%</div></div>	

CORPRISK09	Unable to effectively improve the Council's reputation. The Council's reputation is extremely important, progressive improvement is important and can be subject to political influence that is difficult to predict and control. Effective consultation and communication with increased focus on customer engagement (both internal and external) are key to this gradual progression - along with purposeful service delivery.					
Original Matrix		Current Risk Matrix		Target Risk Matrix		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue with Corporate programme of Employee, Member and public Engagement	Suzanne Johnston-Hubbold	31-Mar-2022	Monthly meetings held	50%	

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

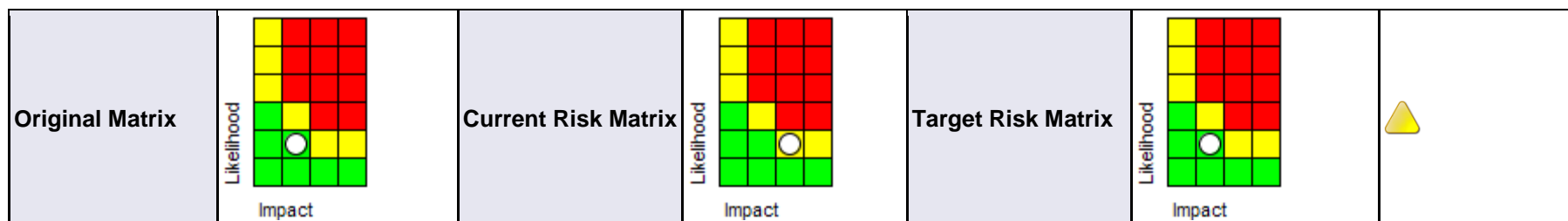
MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ongoing patching of servers/workstations/software	Dave Johnson	31-Mar-2022	Patching on-going and rolling out major Windows update in the coming months to a number of laptops being planned along with rollout of new encryption and device management for laptops and mobile devices. Major upgrades Oct / Nov for Idox systems in Land Charges and planning	55%	
Annual Penetration tests and network scans.	Dave Johnson	31-Mar-2022	Penetration report from annual test in July has been received. Report does report a number of critical and high vulnerabilities	35%	




			mainly around patching, some of which are timing issues. ICT currently running through mitigation plan and updating software / servers as required.		
ICT Security and Governance is key to maintaining high levels of Cyber Security and ICT Security in general to protect the Council ICT Infrastructure and Data from malware, hacking and data breaches. This is particular important with the increase in home / remote working, rise is sophisticated cyber-attacks and use of mobile devices. Mitigation of the risks doesn't just involve the use of technology such as firewalls, virus software etc but user training and awareness of Councils ICT Security policies.	Dave Johnson	31-Mar-2022	Email phishing campaigns on going as is cyber security training. Data protection and Password security courses have now been rolled out. Updated ICT Security policy due to be rolled out shortly		
Review list of essential services as set out in Business Continuity Plans to ensure there is a clear plan to mitigate risk in the event of an IT outage or significant cyber incident. This will identify what critical organisational services need to be restored first, which will also prioritise the technical capabilities should focus on restoring rationale.	Corporate Leadership Team; Rebecca Pritchett	30-Sep-2021	Cyber attack plan briefing paper tabled at CLT on 19th October 2021. The overall plan for completion and adoption of the cyber-attack plan is :- <ul style="list-style-type: none"> • End December 2021 Draft Attack Plan complete • Jan 2022 – End March 2022 Test plan and awareness campaign • April 2022 – Adoption of plan 		
Review and Update Security Systems including Firewalls/ Web filter/New Email Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)	Dave Johnson	31-Mar-2023	Updating Office 365 security and Mobile device security using O365 intune instead of Blackberry and checkpoint, for roll out later in the year		

CORPRISK11	<p>Unable to ensure good governance arrangements are in place for alternative Service Delivery Models including Shared Service arrangements and the potential devolution of services public service reform and/or combined arrangements. The Council is partner in a number of Shared Services - Worcestershire Regulatory Services, Emergency Planning, Water Management, Payroll, Building Control, Economic Development and Regeneration - and is either host to the Shared Service or a partner in receipt of a service. The Council has entered into a Limited Liability partnership with Public Sector PLC and has approved the setup of a LATC in readiness for property/housing development utilising the capital portfolio fund where this is the most viable option. However, there are always risks around the management of such arrangements, whether the work is being led by another organisation or led by the Council. This risk cross refers to CORPRISK 14</p>					
Original Matrix		Current Risk Matrix		Target Risk Matrix		

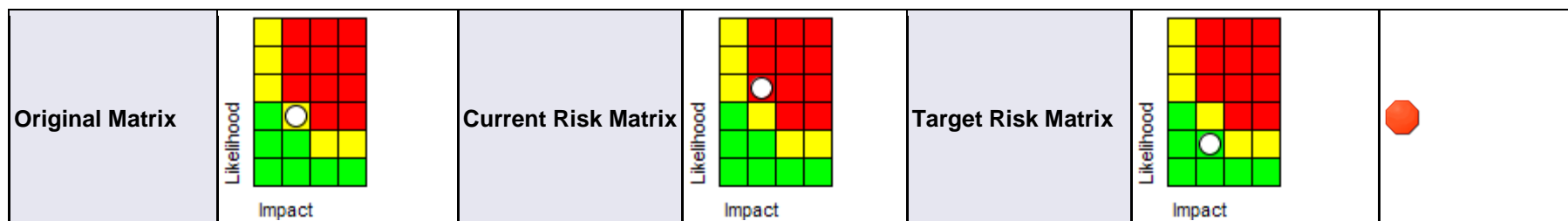
MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
To ensure that governance arrangements are appropriate for all forms of service delivery including Public Private Partnerships (PPPs) and Local Authority Trading Companies (LATCs).	Caroline Newlands; Tracey Southall	31-Mar-2022	Continue to maintain a watching brief and input to governance arrangements as appropriate.	<input type="text" value="60%"/>	
To ensure the positive partnership agreement for provision of Leisure Services continues.	Ian Miller	31-Mar-2022	Leisure Centre fully reopened. Support for net operating cost expected to end June 2021. Discussions continue on re-commencement of management fee payment by Places Leisure.	<input type="text" value="40%"/>	

CORPRISK12	<p>Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan undertaken in May - July 2019.</p>
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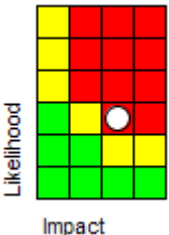
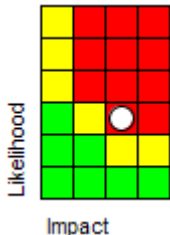
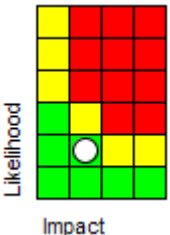

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan undertaken in May - July 2019.	Ian Miller	31-Mar-2022	Regular meetings with Group Leaders.	50%	
Ensure elected members taking up lead positions in the Council are mentored to enable their skills to be fast tracked	Ian Miller	31-Mar-2022	Development opportunities for relevant members being identified on an ongoing basis. Further Human Library event arranged for March 2022. Social Media training delivered in July 202, Treasury Management training and Local Plans Barrister training delivered September 2021.	45%	
Training programme for all councillors for 2021-2022 agreed at March 2021 Group Leaders meeting (including Treasury Management training).	Ian Miller; Tracey Southall	28-Feb-2022	Treasury Management training delivered in September 2021 and date set for February 2022. Licensing training held in July 2021. Local Plans Barrister training delivered September 2021. Other training opportunities to be identified.	50%	




CORPRISK13	Localism: Sustaining the pace and effectiveness of asset and service transfers to third sector parties, Parish and Town Councils
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Effective operational arrangements for the oversight of governance for mutually beneficial partnerships with third parties	Corporate Leadership Team; Caroline Newlands; Tracey Southall	31-Mar-2022	Continue to maintain a watching brief.	60%	
To ensure this Council keep abreast of the latest reorganisation developments and participates in the reorganisation debate to ensure it is not left in an isolated position.	Ian Miller	31-Mar-2022	Government decision on reorganisation in three County areas announced in July 2021. Further information on Government policy expected in levelling up white paper in autumn 2021.	25%	
Continue to operate robust arrangements to secure future joint service delivery agreements with Parish and Town Councils utilising the remaining Localism Fund	Ian Miller	31-Mar-2022	Developing 3-5 year plans with individual town councils to achieve savings and protect vulnerable service areas such as parks, events, play areas. Meetings held with Town Councils since July 2020. Cabinet approval of transfers in Stourport and Bewdley obtained in November/December 2020. Kidderminster Town Council confirmed decision to transfer 4 parks on 3 February, formal Cabinet approval pending. Discussions with Parish Councils continue in September 2021.	25%	

CORPRISK14	Establishing a group structure - Local Authority Trading Company Council on 21st February 2018 approved a group structure of Local Authority
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<p>Trading Companies. Risks associated with this separate legal entity include legal, financial, governance and reputational factors. These will need to be managed and mitigated on an ongoing basis to protect both the LATC's and the Council's position. Note that the company structures are in place and that this risk is dormant until these separate legal entities are utilised.</p>						
Original Matrix		Current Risk Matrix		Target Risk Matrix		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
That external advice is taken to ensure the Council acts within correct legislation on individual proposals as appropriate.	Mike Parker	31-Mar-2022	External advice from Mazars including Anthony Collins Solicitors confirms ability for Council to act within current legislation	<input type="text" value="0%"/>	
Any financial transactions between the Council and the LATC e.g. lending through the Development Loan Fund will be subject to individual scrutiny and due diligence including financial viability sensitivity analysis before final decisions are proposed/taken	Mike Parker; Tracey Southall	31-Mar-2022	<p>Holding company registered with Companies House, subsidiary to follow, no business conducted as yet. Details of company below:</p> <p>Name & Registered Office: Wyre Forest (Holdings) Limited Wyre Forest House Finepoint Way Kidderminster Worcestershire DY11 7WF</p> <p>Company No. 11451232</p>	<input type="text" value="0%"/>	
Through the shareholder agreement and through the establishment of the business plan within which the LATC	Mike Parker	31-Mar-2022	Company registered but no transactions taken place yet	<input type="text" value="0%"/>	


Agenda Item No. 9 – Appendix 1

operates, the Council will be able to ensure that all financial arrangements are viable					
In the event that a catastrophic event requires it the LATC will be closed down - an exit strategy will be considered as a contingency plan to protect the Council against unknown events in the future.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2022	Company registered but no transactions taken place yet	0%	
The development activity of the LATC is financially self-sustainable and not reliant upon funding from the Council	Tracey Southall	31-Mar-2022	Company registered but no transactions taken place yet.	0%	
The Council ensures that only those officers and members of the Council who are able to take objective decisions are appointed to the LATC	Caroline Newlands	31-Mar-2022	Achieved with first appointment made - delegated decision published.	0%	
The LATC is able to purchase support from existing council officers until such time as it is able to or requires the appointment of its own staff	Mike Parker; Tracey Southall	31-Mar-2022	Company registered but no transactions taken place yet.	0%	
The LATC Business Plan identifies a suitable pipeline of development opportunities and this will be refreshed and updated on a regular basis.	Mike Parker	31-Mar-2022	Company registered but no transactions taken place yet	0%	
Changes to Prudential and Treasury Management Codes are considered in conjunction with the revised MHCLG Guidance on Investments and MRP and specific advice sought if further clarity is required on risk in relation to specific investment proposals in relation to the LATC Group structure.	Helen Ogram; Tracey Southall	31-Mar-2022	Company registered but no transactions taken place yet with the company as property acquisitions are held in Council's name.	0%	
Using the external advice from Mazars individual projects will be monitored as the LATC business progresses.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2022	Company registered but no transactions taken place yet. So far the work that has been done has been to confirm the LATC was not the right vehicle to use for	0%	

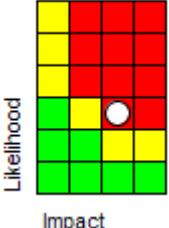
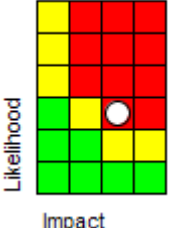
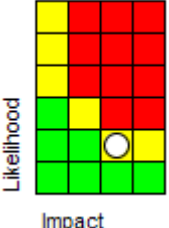

			property proposals.		
Further training and guidance will be taken to ensure sufficient knowledge is developed. The PWC VAT Helpline the Council already subscribes to will be used and other specialist advice taken as appropriate.	Helen Ogram; Tracey Southall	31-Mar-2022	Company registered; no transactions yet taken place. Knowledge and learning is actively being progressed as part of work with PSP and also property acquisition work with the LATC perspective considered in each case but not utilised so far. To be included as part of due diligence in specific business case proposals.	0%	


CORPRISK15	Local plan: Council is unable to adopt a 'sound' Local Plan following its submission in April 2020.				
Original Matrix		Current Risk Matrix		Target Risk Matrix	



MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to advise Local Plans Review Panel, Cabinet and Council on steps necessary to remove objections and potential objections to plan and/or to minimise their impact on the examination in public – particularly points raised by statutory consultees	Mike Parker	31-Mar-2022	Proposed Main Modifications to be considered by the Local Plans Review Panel on the 6th October 2021, to recommend to Overview and Scrutiny on the 7th October 2021 with view to Cabinet sign off for 6 week consultation at meeting on 13th October 2021: consultation to run from 14th October for 6 weeks. Still aiming for final adoption of Local Plan in Spring 2022.	85%	

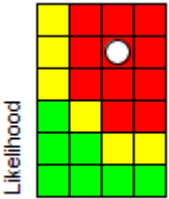

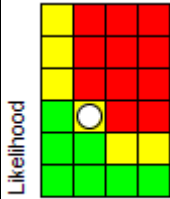

Implementation of robust Local Plan up to 2036	Mike Parker	31-Mar-2022	<p>Proposed Main Modifications to be considered by the Local Plans Review Panel on 6th October 2021, to recommend to Overview and Scrutiny on 7th October 2021 with view to Cabinet sign off for 6 weeks consultation at meeting on 13th October 2021: consultation to run from 14th October for 6 weeks.</p> <p>Still aiming for final adoption of Local Plan in Spring 2022</p>	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; display: flex; align-items: center; justify-content: center;"> 85% </div>	
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CORPRISK16 Risk that the three-year programme to end of March 2024 delivering £20.5million programme of interventions across Kidderminster Town Centre will not be delivered on time and within budget. Governance arrangements established with board overseeing programme delivery and individual project boards to oversee each specific intervention. Additional capacity to be added to NWEDR to oversee programme and project delivery. Regular liaison with MHCLG to ensure delivery in accordance with programme and specifically focussing on monitoring and evaluation. Provision made in capital programme at February 2021 Council.








<p>Original Matrix</p>		<p>Current Risk Matrix</p>		<p>Target Risk Matrix</p>		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Redevelopment of area around bullring and former Crown House	Mike Parker	31-Mar-2024	Further report on progress went to Cabinet in September 2021 and agreed next stages of appointments for Future High Street Fund (FHSF). Design works ongoing; and appointment of Public Sector Plc (PSP Facilitating Ltd T/A PSP) also	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #4F81BD; display: flex; align-items: center; justify-content: center;"> 10% </div>	

			agreed to bring forward in parallel with FHSF to develop site opportunity.		
Implementation of improved connectivity from West to East including acquisition and demolition of properties and reconfiguration of Bromsgrove Street Car Park	Mike Parker	31-Mar-2024	Planning application submitted and currently with Development management Team for determination. Publicity has been undertaken, including an on-site drop-in session which was well attended; and contributions towards design will be discussed as part of determination of Planning application. September meeting of Cabinet considered update report on interest from prospective tenants of completed project together with the option of future management of building once work is complete and tenants take occupation. Difficult at this stage to identify tenants and operating modes as too early for commitment on project not due for completion until mid 2024.	15%	
Implementation of improved connectivity from West to East including acquisition and demolition of properties and reconfiguration of Bromsgrove Street Car Park	Mike Parker	31-Mar-2024	As with Bullring project Cabinet considered update at September meeting and agreed approval of design team to bring forward FHSF public reach of the project; together with appointment of Public Sector Plc (PSP Facilitating Ltd T/A PSP) to bring forward development of site element parallel with FHSF project. There has been a slight delay caused with acquisition of remaining properties due to presence of live electrical sub station basement of one of the properties which has needed engagement with Western Power in order to agree suitable course of action to remove sub station to allow current plans to take place.	5%	

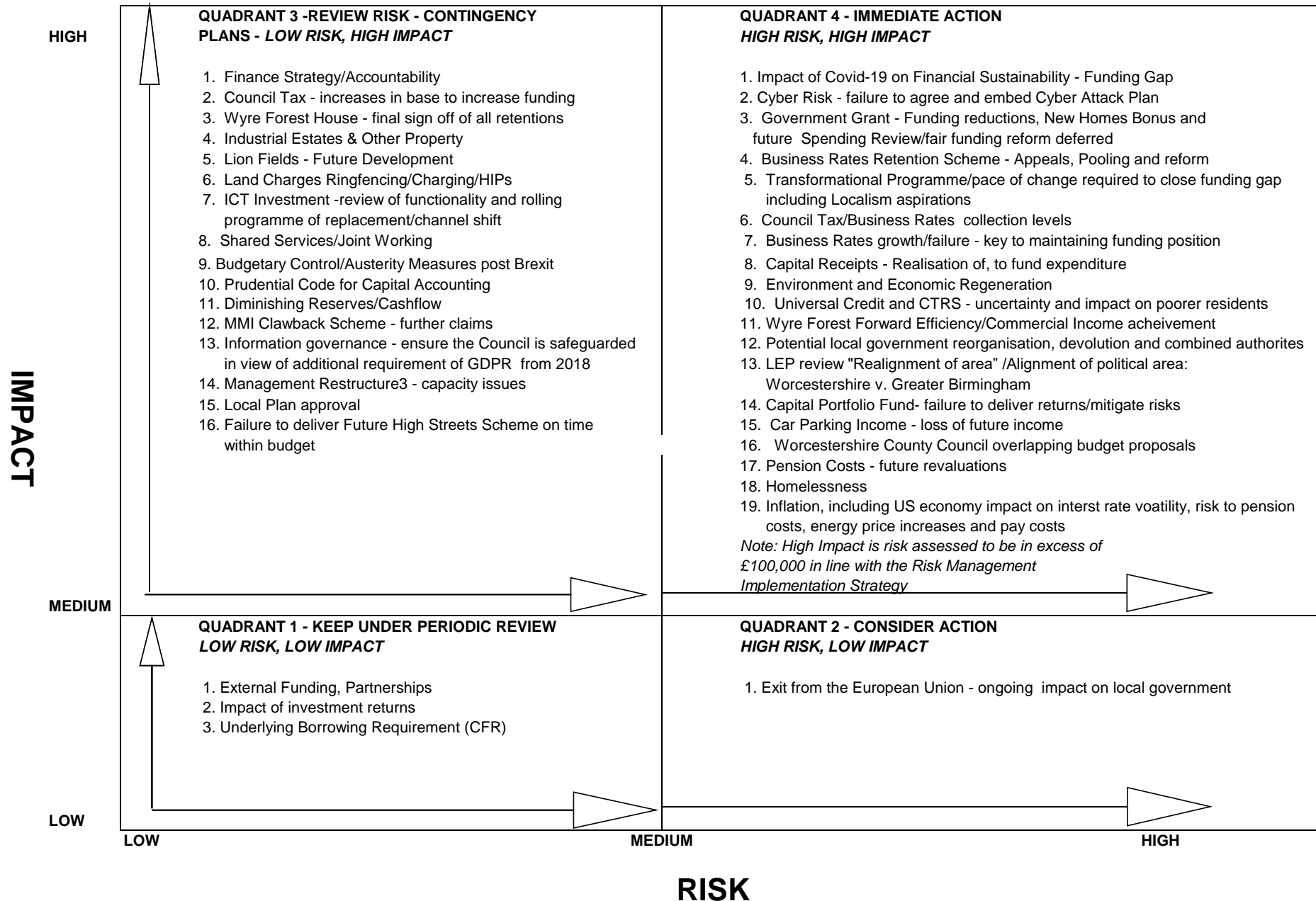
	<p>Loss of staff due to illness may mean that staff will need to be redeployed from other service areas/ use of agency staff increased to ensure essential services such as Waste Collection, Benefits, Customer Services and Housing/Homelessness can continue. The financial impact of the pandemic is resulting in additional stress on our budget in the short term. As we go into the recovery stage we are forecasting the lessening of reductions of some of our income streams but this needs to be carefully monitored. Together with cost pressures in certain services this will mean we will continue to have to take action to safeguard the Council's budget in the medium term. The government has failed to address this issue fully, other than the Coronavirus Act 2020. The uncertainty around the continuation of remote meetings also presents challenges as we enter into the "new normal" phase of working.</p>					
Original Matrix		Current Risk Matrix		Target Risk Matrix		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
<p>To continue to respond appropriately to COVID-19</p> <ul style="list-style-type: none"> . To monitor the financial impact of the pandemic and make regular reports to members to ensure the Council remains financially sustainable. . To engage with MHCLG and ensure there is full understanding of the financial impact and funding support required. . Pay Business Rate Grants are distributed to help sustain businesses as quickly as possible . Award business rate reliefs . To further modify savings plans to take account of the impact of the pandemic . Cash flow to be closely monitored together with global economic impacts that will influence treasury management 	<p>Corporate Leadership Team; Corporate Leadership Team; Tracey Southall</p>	<p>31-Mar-2022</p>	<p>Financial impact of Covid reported as part of the Final Accounts process Ongoing regular engagement with MHCLG and work through the District Council Network to secure additional funding. Good progress with passporting of MHCLG funding to businesses Cash flow managed daily. Worcestershire Treasurers are managing this risk in close liaison with Worcestershire County Council Pension Fund.</p>	<div style="background-color: #add8e6; padding: 2px; display: inline-block;">100%</div>	

activity . Monitor impact on Pension Fund and Property valuations,					
Business Continuity Plans to continue to be used by all teams for home working until hybrid working implemented.	Corporate Leadership Team; Corporate Leadership Team	31-Mar-2022		<div style="width: 60%;"><div style="background-color: #4F81BD; width: 60%;"></div></div> 60%	
To continue to monitor resource requirement to manage COVID-19.	Corporate Leadership Team; Corporate Leadership Team	31-Mar-2022	Extra hours worked to cover peak business need (to pay out Business Grants quickly).	<div style="width: 60%;"><div style="background-color: #4F81BD; width: 60%;"></div></div> 60%	
Monitor the position in relation to remote meetings both internal and external for Council meetings and where appropriate put plans in place to return to face to face meetings	Corporate Leadership Team; Corporate Leadership Team	31-Mar-2022	Face to face meetings are now held for all formal Committee meetings. New "owl" technology was trialled for the September Audit Committee to allow external auditors and officers to attend remotely.	<div style="width: 95%;"><div style="background-color: #4F81BD; width: 95%;"></div></div> 95%	
To further revise the Council's Constitution and other policies and procedures to ensure that services can continue to be provided taking into account the impacts of the pandemic	Corporate Leadership Team; Corporate Leadership Team	31-Mar-2022	Report to Extraordinary Council Meeting on 21st April 2020. Further Strong Leader reports on Discretionary Grant Policies. Council September 23rd on Committee Appointments and rebalancing the Political balance	<div style="width: 40%;"><div style="background-color: #4F81BD; width: 40%;"></div></div> 40%	
Follow Public Health England guidance on response to COVID 19, ensure PPE is may available to all key workers as appropriate and that changes to safe working practices/risk assessments are in pace. To also work with West Midlands Employers.	Corporate Leadership Team; Rachael Simpson	31-Mar-2022	Ongoing communications/advice to all staff members. Participate in webinars with WME. Daily staffing data monitored	<div style="width: 75%;"><div style="background-color: #4F81BD; width: 75%;"></div></div> 75%	
Revisit the Corporate Plan priorities with a view to re-shaping the delivery of the Council's services to support the recovery phase of Covid-19	Corporate Leadership Team; Corporate Leadership Team	31-Mar-2022		<div style="width: 0%;"><div style="background-color: #4F81BD; width: 0%;"></div></div> 0%	
Develop a COVID-19 recovery plan	Corporate Leadership Team	31-Jul-2021	The hybrid working model was introduced on 1st September 2021. Risk assessments and action plans were updated to enable safe return to building. The review of the Council administration	<div style="width: 70%;"><div style="background-color: #4F81BD; width: 70%;"></div></div> 70%	

			footprint continues parallel to that work and discussions are continuing with Cabinet on final proposals for the longer term work environment and the implications for surplus floor space.		
Following review and introduction of hybrid working to review office operational floor space requirements at Wyre Forest House and Green Street with a view to potential relocation of office requirement.	Mike Parker	30-Sep-2021	Following Government advice and guidelines the Council has welcomed back its staff and tenants to Wyre Forest House and Green Street in accordance with its new flexible approach to hybrid working enabling staff to work flexibly between home and office environment where the service area allows, such working to take place. The consequential impact of the Council's administration footprint is still under discussion with Cabinet.	<div style="border: 1px solid black; width: 100px; height: 15px; background-color: #4F81BD; display: flex; align-items: center; justify-content: center;"> 25% </div>	

BUDGET RISK MATRIX 2022-25



Budget Risk Matrix

ISSUE	BUDGETARY RESPONSE
<p>Quadrant 1 - Low Risk, Low Impact</p> <p>1. External Funding, Partnerships</p> <p>2. Impact of Investment Returns</p> <p>3. Underlying Borrowing Requirement (CFR)</p>	<p>Keep under periodic review</p> <p>Continue to evaluate sustainability of each scheme as part of project appraisal.</p> <p>Continue to monitor reductions due to COVID-19 and report as appropriate. Balances available for investment are reducing over the MTFP but further rate reductions mean lower levels of investment income will be achieved. We continue to work with Link Asset Services in this area.</p> <p>The rising CFR over the term of the Budget Strategy will be carefully monitored in close liaison with Link Asset Services to gauge both the timing and type of external borrowing.</p>
<p>Quadrant 2 - High Risk, Low Impact</p> <p>1. Exit from the European Union</p>	<p>Consider Action</p> <p>To-date the impact has not been significant but this will be closely monitored.</p>
<p>Quadrant 3 - Low Risk, High Impact</p> <p>1. Finance Strategy/Accountability (see Q4 Risk 1 also)</p> <p>2. Council Tax – increase in base</p> <p>3. Wyre Forest House final sign off of all retentions</p> <p>4. Industrial Estates and Other Property</p> <p>5. Lion Fields Gateway - Future Development</p> <p>6. Land Charges Ring fencing/Charging/HIPs</p> <p>7. ICT Investment/channel shift</p> <p>8. Shared Services Joint working</p> <p>9. Budgetary Control/Austerity Measures</p> <p>10. Prudential Code for Capital Accounting,</p> <p>11. Diminishing Reserves/Cashflow</p>	<p>Review Risk - Contingency Plans</p> <p>Council are required to adopt a three year Balanced Budget Strategy.</p> <p>Assumptions in MTFs to be closely monitored by S151 Officer.</p> <p>Managed closely by Chief Executive and CLT/Cabinet</p> <p>Managed through Property Disposal Strategy</p> <p>Development opportunities continue to be explored.</p> <p>Reduced income allowed for within Base Budget reduces the scale of any challenge.</p> <p>ICT Strategy Group oversee/enhance the governance, planning and delivery arrangements of the strategy between ICT and council service areas.</p> <p>Shared Services partnerships continue to contribute to collaborative efficiencies but will be monitored to ensure risk is managed and mitigated.</p> <p>Continue to discourage non-essential expenditure, monthly budget monitoring reports provide more management information.</p> <p>External borrowing currently £37m, PWLB consultation paper on likely changes to code/rules. Link Asset Services continue to provide technical advice and are looking for alternative sources of cheaper borrowing.</p> <p>Cash flow management will be tighter given reduction in capital and revenue reserves and use of the Link Cash flow model is being used to improve management information to help mitigate any risk in this area</p>

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ISSUE	BUDGETARY RESPONSE
<p>12. MMI Claw Scheme</p> <p>13. Information Governance</p> <p>14. Management Restructure – capacity issues</p> <p>15. Local Plan approval</p> <p>16. Failure to deliver FHSF project on time and within budget</p>	<p>Further claim received and settled, ear marked reserve held.</p> <p>Internal working group chaired by the DOR is reviewing this area to ensure the Council continues to be safeguarded.</p> <p>To be managed by the Chief Executive and Cabinet</p> <p>Managed by Chief Executive, review of duties and slim-lining where possible to achieve business need more efficiently.</p> <p>Managed by Cabinet CLT</p> <p>Project Group meet regularly to manage this complex highly significant project.</p>
<p>Quadrant 4 - High Risk, High Impact</p> <p>1. Impact of Covid-19</p> <p>2. Cyber Risk</p> <p>3. Government Grant –Funding Changes, further Spending Reviews and New Homes Bonus</p> <p>4. Business Rates Retention Scheme, appeals, Pooling and revision of funding arrangements. Baseline reset (timing uncertain), impact on growth</p> <p>5. Impact of Transformational Programme, Localism agenda</p> <p>6. Council Tax Collection levels including impact of CTRS Scheme</p> <p>7. Government’s Waste Strategy</p> <p>8. Capital Receipts - Realisation of to fund expenditure</p>	<p>Immediate Action</p> <p>Managed by Cabinet/CLT reports to Cabinet/Council as appropriate.</p> <p>Managed by ICT Strategy Board, treated as priority for resource allocation</p> <p>Significant issue given the scale of the Spending deficit. The Strategic Review Panel process will assist Wyre Forest Forward Coordinating Councils Future Plans.</p> <p>Application for pan-Worcestershire Pool (including Fire Authority) agreed for 2022-23. Proposed changes to funding arrangements and delays continue to cause uncertainty and risk. The Baseline reset could also result in a decrease in this key funding stream. Our regeneration programme is a mitigation factor.</p> <p>Monitored by Cabinet/CLT and reported in Cabinet Budget Monitoring Reports</p> <p>Monitored by Cabinet/CLT and reported in Cabinet Budget Monitoring Reports</p> <p>Impact will be monitored as more information emerges and reported as appropriate.</p> <p>Capital Programme funding reflects realistic timescale for the realisation of asset disposal receipts. Temporary borrowing will be used when necessary.</p>

Agenda Item No. 9 – Appendix 2

ISSUE	BUDGETARY RESPONSE
9. Environment and Economic Regeneration	The Council continues to be proactive in this area and this is closely monitored by Cabinet/CLT
10. Changes to Housing Benefit Scheme – universal credit/localisation of support for Council Tax	Universal Credit impact monitored
11. Wyre Forest Forward Efficiency savings	Progress continues albeit slower during 2021-22 due to ongoing COVID-19 impact, monitored and reported regularly to members.
12. Potential Local Government Reorganisation, Devolution debate and Combined Authorities	Macroeconomic area strategically assessed and managed by the Leadership team. Communication and liaison with town and parish councils.
13. Realignment of LEP area/political area	Kept under strategic review by the Leadership team in liaison with two LEPS. The three LEP footprint proposals are also within our radar.
14. Capital Portfolio Income	Key performance metrics included in quarterly Cabinet Budget Monitoring reports
15. Car parking income	Income levels usages closely monitored, new simplified policy is proposed. Earlier timetable for scrutiny.
16. WCC overlapping budget proposals – adverse impact	Liaison with WCC to work to minimise/mitigate the impact of any overlapping proposals to protect the financial position of both parties as far as possible.
17. Pension costs – future Revaluations	Managed by Worcestershire Treasurers jointly with actuaries
18. Homelessness Reduction Act	Rising demand requiring extra resource managed by housing team with extra funding secured where possible.
19. Inflation, including risk to interest rates from volatility in the US and potential impact on pensions, energy price increases and pay costs	S151 Officer to maintain a watching, brief, work with Pensions Fund Administrators to minimise the impact of any economic shocks to the pension fund. Extra provision for energy inflation already included in proposed MTFS. Pay inflation 2% allowed – to be kept under review.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
24TH NOVEMBER 2021**Appointment of External Auditors**

OPEN	
CABINET MEMBER:	Councillor Mary Rayner
RESPONSIBLE OFFICER:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall tracey.southall@wyreforestdc.gov.uk
APPENDICES: Appendix 1	Letter of invitation and additional information from the PSAA 22 nd September 2021
Appendix 2	Email from LGA 23 rd September 2021

1. PURPOSE OF REPORT

- 1.1 The process for retendering for external audit in local authorities in England, for contracts due to start from 2023/24, is now underway and shortly the council will need to decide whether to procure its own external auditor or opt into the national procurement framework.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee are asked to RECOMMEND** That Full Council agrees that Wyre Forest District Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors for 5 years commencing from 2023/24.

3. BACKGROUND AND KEY ISSUES

- 3.1 Following the closure of the Audit Commission the Government novated external audit contracts to PSAA on 1st April 2015. Council on the 14th December 2016 approved a recommendation from Audit Committee on the 28th November 2016 to opt into the Appointing Persons Arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of the External Auditors for 5 years commencing from 2018/19.
- 3.2 Grant Thornton has been the Council's External Auditors under the PSAA arrangements since 2018/19.
- 3.3 On the 22nd September 2021 The Council received a letter from the PSAA inviting them to opt into the national arrangements for the procurement of auditor appointments from April 2023, with a deadline of 11 March 2022. The letter is in Appendix 1. This means that for the audit of the 2023/24 accounts it will be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime.

- 3.4 Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The deadline for this decision is the 11th March 2022. If the council does not make such a decision, the legislation assumes that the council will procure its own external audit, with all the extra work and administration that comes with it.
- 3.5 The national framework remains the best option councils can choose. There are many reasons for favouring the national arrangements and as set out in a letter from the LGA contained in Appendix 2, the LGA considers those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.
- 3.6 The way external audit has operated over the last couple of years has been extremely disappointing. A lack of capacity in the audit market has been exacerbated by increased requirements placed on external auditors by the audit regulator. There is also a limited number of firms in the market and too few qualified auditors employed by those firms. This has led to a situation where many audits have been delayed and dozens of audit opinions remain outstanding from 2019/20 and 2020/21. Auditors have also been asking for additional fees to pay for extra work. This Council was one of only 9% of Councils overall who achieved a clean sign off of the Accounts by the 30th September 2021 statutory deadline for the 2020/21 Statement of Accounts. This was extremely resource intensive as the degree of scrutiny and requirement for extra working papers, checks and evidence was much greater than previous years.
- 3.7 As the client in the contract, this council has little influence over what it is procuring. The nature and scope of the audit is determined by codes of practice and guidance and the regulation of the audit market is undertaken by a third party, currently the Financial Reporting Council. Essentially, councils find themselves operating in what amounts to a suppliers' market and the client's interest is at risk of being ignored unless we act together.
- 3.8 Everyone, even existing suppliers, agrees that the supply side of the market needs to be expanded, which includes encouraging bids from challenger firms. Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements, has suggested various ways this could be done, but these initiatives are much more likely to be successful if a large number councils sign up to the national scheme.
- 3.9 To summarise, the same arguments apply as at the time of the last procurement are copied below from the LGA email in Appendix 2:
- A council procuring its own auditor or procuring through a joint arrangement means setting up an Audit Panel with an independent chair to oversee the procurement and running of the contract.
 - The procurement process is an administrative burden on council staff already struggling for capacity. Contract management is an ongoing burden.
 - Procuring through the appointing person (PSAA) makes it easier for councils to demonstrate independence of process.
 - Procuring for yourself provides no obvious benefits:

- The service being procured is defined by statute and by accounting and auditing codes
- Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners (KAP).
- Since the last procurement it is now more obvious than ever that we are in a 'suppliers' market' in which the audit firms hold most of the levers.
- PSAA has now built up considerable expertise and has been working hard to address the issue that have arisen with the contracts over the last couple of years:
 - PSAA has the experience of the first national contract. The Government's selection of PSAA as the appointing person for a second cycle reflects MHCLG's confidence in them as an organisation.
 - PSAA has commissioned high quality research to understand the nature of the audit market.
 - It has worked very closely with MHCLG to enable the government to consult on changes to the fees setting arrangements to deal better with variations at national and local level, hopefully resulting in more flexible and appropriate Regulations later this year

3.10 Appendix 2 also contains a list of Frequently Asked questions which is a useful source of information for Members when considering this report.

3.11 It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement. The Appendix to this report contains the letter of invitation to opt into these arrangements, including additional information to assist with the decision-making process.

3.12 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation the Audit Committee is asked to make the recommendation above to Council.

4. FINANCIAL IMPLICATIONS

4.1 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource (if any) may be required for audit fees for 2023/24, although it is anticipated that any increase will be minimised through using PSAA.

4.2 The current level of external audit fees for 2020/21 have yet to be finalised but it is clear that they will increase to reflect the additional work Grant Thornton has been required to undertake. Current indications are that the proposed fee of £60,181 for the Council Audit will include a fee variation in plan not yet billed or agreed with the PSAA of £22,500. The Housing Subsidy Grant Claim proposed fee is estimated at £12,000.

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- 4.3 The following table shows the external audit fees for the last 6 years and illustrates the significant reductions when we first opted into the PSAA and the steady increase since this date:

Fees Payable to the Council's External Auditors	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	49	49	49	38	38	38
Agreed Audit Fee Variation for 2018-19 and 2019-20 (note 2020-21 variation not yet agreed)				4	8	
Fees payable in respect of other services provided by Grant Thornton during the year * paid	17	12	11	9	10	12
Public Sector Audit Appointments (PSAA) Refund relating to 2018-19				-5		
Total	66	61	60	46	56	50
* The fees paid for other services related to the Housing Benefit Grant Certification Fee, Place Analytics Subscription.						

5. LEGAL AND POLICY IMPLICATIONS

- 5.1 The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

6. RISK MANAGEMENT

- 6.1 As set out in the report, use of PSAA minimises the risks inherent in undertaking our own procurement.

7. EQUALITY IMPACT NEEDS ASSESSMENT

- 7.1 An Equality Impact Assessment screening is not required for this report.

8. CONCLUSION

- 8.1 Notwithstanding the recent turbulence and difficulties experienced currently in the External Audit provider market, it is likely that a sector wide procurement conducted by PSSA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.

9. CONSULTEES

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

10. BACKGROUND PAPERS

- 10.1 PSAA Letter of invitation 22nd September 2021
LGA email 23rd September 2021 – including details of frequently asked questions.
Audit Committee Report 28th November 2016
Recommendation to and approval by Council 14th December 2016



22 September 2021

To: Mr Miller, Chief Executive
Wyre Forest District Council

Copied to: Ms Southall, S151 Officer
Councillor Coleman, Chair of Audit Committee or equivalent

Dear Mr Miller,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

From: Bella MacDonald <Bella.MacDonald@local.gov.uk>
Sent: 23 September 2021 12:26
To: Ian Miller <ian.Miller@wyreforestdc.gov.uk>
Subject: External Email : Retender of External Audit Contracts

This email originated from outside of the organisation

STOP : Were you expecting this email? Does it look genuine?

THINK : Before you **CLICK** on any links or **OPEN** any attachments.

From the Chairman of the Association
Cllr James Jamieson



**To: Mayors/Leaders/Chief Executives/Chief Finance Officers
of English Principal Councils**

23 September 2021

Dear Ian Miller,

Retender of External Audit Contracts

I am writing because your council must shortly make a decision whether to opt into the national arrangement for the procurement of external audit or procure external audit for itself, and to set out the LGA's view on that decision.

In most councils this matter will be considered first in detail by the Audit Committee. You will therefore no doubt wish to pass on a copy of this letter and the more detailed attachment to the colleague who chairs the relevant committee.

Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The practical deadline for this decision is 11th March 2022. As this is a decision for the Full Council, I wanted to ensure that you had sight of the letter that has been sent to audit and finance colleagues and that you are aware of the crucial issues to be considered.

The way external audit has operated over the last couple of years has been extremely disappointing. This has led to many audits being delayed and dozens of audits remain uncompleted from 2019/20. Dealing with these issues is not a quick or easy fix.

Nevertheless, the LGA's view is that the national framework remains the best option for councils. There are many reasons for favouring the national arrangements and we think those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.

We believe that in a suppliers' market it is imperative that councils act together to have the best chance of influencing the market and for nationally coordinated efforts to improve the supply side of the market to be effective.

The information attached goes into more detail about the background to this decision. My officers will be happy to answer any questions you may have. Please contact Alan Finch (alan.finch@local.gov.uk) if you have any issues you would like to raise.

Yours sincerely



Cllr James Jamieson
Chairman

cc: Chief Executive

Chief Finance Officer

RETENDER OF EXTERNAL AUDIT CONTRACTS

Information from the LGA for those charged with governance

The process for retendering for external audit in local authorities in England, for contracts due to start from 2023/24, is now underway and shortly the council will need to decide whether to procure its own external auditor or opt into the national procurement framework.

Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The deadline for this decision is the 11th March 2022. If the council doesn't make such a decision, the legislation assumes that the council will procure its own external audit, with all the extra work and administration that comes with it.

The national framework remains the best option councils can choose. There are many reasons for favouring the national arrangements and we think those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.

The way external audit has operated over the last couple of years has been extremely disappointing. A lack of capacity in the audit market has been exacerbated by increased requirements placed on external auditors by the audit regulator. There is also a limited number of firms in the market and too few qualified auditors employed by those firms. This has led to a situation where many audits have been delayed and dozens of audit opinions remain outstanding from 2019/20 and 2020/21. Auditors have also been asking for additional fees to pay for extra work.

Agenda Item No. 10 – Appendix 2

As the client in the contract, a council has little influence over what it is procuring. The nature and scope of the audit is determined by codes of practice and guidance and the regulation of the audit market is undertaken by a third party, currently the Financial Reporting Council. Essentially, councils find themselves operating in what amounts to a suppliers' market and the client's interest is at risk of being ignored unless we act together.

Everyone, even existing suppliers, agrees that the supply side of the market needs to be expanded, which includes encouraging bids from challenger firms. Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements, has suggested various ways this could be done, but these initiatives are much more likely to be successful if a large number councils sign up to the national scheme.

It is therefore vital that councils coordinate their efforts to ensure that the client voice is heard loud and clear. The best way of doing this across the country is to sign up to the national arrangement.

To summarise, the same arguments apply as at the time of the last procurement:

- A council procuring its own auditor or procuring through a joint arrangement means setting up an Audit Panel with an independent chair to oversee the procurement and running of the contract.
- The procurement process is an administrative burden on council staff already struggling for capacity. Contract management is an ongoing burden.
- Procuring through the appointing person (PSAA) makes it easier for councils to demonstrate independence of process.
- Procuring for yourself provides no obvious benefits:
 - The service being procured is defined by statute and by accounting and auditing codes
 - Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners (KAP).
 - Since the last procurement it is now more obvious than ever that we are in a 'suppliers' market' in which the audit firms hold most of the levers.
- PSAA has now built up considerable expertise and has been working hard to address the issue that have arisen with the contracts over the last couple of years:
 - PSAA has the experience of the first national contract. The Government's selection of PSAA as the appointing person for a second cycle reflects MHCLG's confidence in them as an organisation.
 - PSAA has commissioned high quality research to understand the nature of the audit market.
 - It has worked very closely with MHCLG to enable the government to consult on changes to the fees setting arrangements to deal better with variations at national and local level, hopefully resulting in more flexible and appropriate Regulations later this year

Councils need to consider their options. we have therefore attached a list of Frequently Asked Questions relating to this issue which we hope will be useful to you in reaching this important decision.

When the LGA set up PSAA in 2015, we did so with the interests of the local government sector in mind. We continue to believe that the national arrangement is the best way for councils to influence a particularly difficult market.

If you have any questions on these issues please contact Alan Finch, Principal Adviser (Finance) (alan.finch@local.gov.uk).

PROCUREMENT OF EXTERNAL AUDIT from financial year 2023/24 **FREQUENTLY ASKED QUESTIONS**

“Were prices set too low in the current contract?”

It is clear that firms did submit bids that reflected what seemed at the time to be very stable market conditions. Unfortunately, a series of financial collapses in the private sector have since created a very different climate and resulted in a whole series of new regulatory pressures. It is very likely that firms thought they could make savings as a result of the new timetable, essentially finishing the accounts audits by the end of July each year. Of course, that is not what has happened.

The Government opened up the market principally on the argument that costs would reduce, and views were mixed in the sector when the first contract was being let. Some councils wanted more savings and some were worried about reduced standards.

“Has the current contract helped cause these issues?”

Since the current contract is based around the Code of Audit Practice and the local government accounting code, this is unlikely. The first year of the new contract coincided with the introduction of new standards and with the emergence of some difficult audit issues such as the [McCloud judgement](#) (a legal case which affected the valuation of pension liabilities). The second year was affected by COVID-19. This laid bare the lack of capacity in the supplier side of the market and led to considerable delays. It is hard to see how the contract could have pre-empted this, but now we are clearer about the level of uncertainty in the system, the next contract can adjust for it.

“If we let our own contract, could we have more influence over auditors?”

No. The auditors are required to be independent and are bound by the Codes and need to deliver to them in line with the regulator’s expectations or face action under the regulatory framework.

As far as delays in audits is concerned, auditors are required to allocate resources according to risk and councils that procure for themselves will find themselves in the same queue as those within the national arrangement.

“If we let our own contract, can we get the auditors to prioritise our audit over others?”

Very unlikely. Auditors are running at full capacity and have to deploy resources according to their assessment of audit risks in accordance with professional standards. It is very unlikely that auditors could give preference to some clients rather than others even if they wanted to.

“Didn’t we used to get more from our auditors?”

Yes we did. For example, auditors were often prepared to provide training to audit committees on a pro-bono basis. The fact that they used to be with us for most of the year meant officers could develop professional working relationships with auditors and they understood us better, within the boundaries required of their independent status. Auditors no longer have the capacity to do extra work and the light shone on audit independence in other sectors of the economy has reinforced the rules on the way auditors and councils work together.

“Under the national framework we have had to negotiate our own fee variations. Will that continue to be the case?”

Unfortunately, virtually all councils have had to engage in discussions with auditors about fee variations linked to new regulatory requirements and, of course, the challenges of COVID-19. SAA has worked hard with MHCLG to enable the recent consultation on changes to the fee setting regime, and the resulting regulatory change will bring scope for more issues to be settled at a national level in future.

“Can we band together in joint procurements to get most of the benefits of not going it alone?”

We understand that this is lawful. However, joint procurement partners would not be part of PSAA’s efforts on behalf of the sector to increase the number of firms competing in the market, which will therefore be less likely to succeed. At best, joint procurement spreads the pain of procuring over a larger number of councils and at worst it introduces a new layer of bureaucracy, because someone is going to have to take the lead and bring all the members of the consortium along. It’s not altogether clear to us why a joint procurement would be better than the national contract, especially as the consortium would then have to manage the contract throughout its life (for example, the implications of changes of audit scope).