

Open

Audit Committee

Agenda

6pm
Wednesday, 25th May 2022
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 B S Dawes
Councillor P Dyke
Councillor A Totty

Councillor N J Desmond
Councillor C Rogers

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 Louisa Bright, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732763 or email louisa.bright@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Wednesday, 25th May 2022

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 <u>23rd</u> March 2022.	5
5.	Sector update To receive a verbal report from Grant Thornton - Auditor	
6.	Annual Audit Plan To receive a report from Grant Thornton - Auditor	8
7.	Annual Audit Report (VFM Report) To receive a report from Grant Thornton - Auditor	30
8.	Internal Audit Monitoring Report Quarter ended 31st March 2022 To receive a report from the Audit Manager	58

9.	Annual Governance Statement 2020-21 Action Plan Update To receive a report from the S.151 Officer	72
10.	Annual Governance Statement 2021-22 To receive a report from the S.151 Officer	85

11.	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.	-
12.	Exclusion of the Press and Public To consider passing the following resolution: “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”.	-

Part 2

Not open to the Press and Public

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

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER

23RD MARCH 2022 (6PM)

Present:

Councillors: R H Coleman (Chairman), P W M Young (Vice-Chairman),
B S Dawes, N J Desmond, P Dyke and A Totty.

Observers:

Councillor H E Dyke attended as an observer.

Councillors J F Byng, A Coleman and M Rayner observed remotely.

AUD.42 Apologies for Absence

Apologies for absence were received from Councillors V Caulfield and
C Rogers.

AUD.43 Appointment of Substitutes

No Substitutes were appointed.

AUD.44 Declarations of Interests by Members

No declarations of interest were made.

AUD.45 Minutes

**Agreed: The minutes of the meeting held on 24th November 2021 be
confirmed as a correct record of the meeting and signed by the
Chairman.**

AUD.46 Audit Progress Report & Sector Update

The Committee received a progress report and sector update from Grant
Thornton.

Councillor N J Desmond arrived at this point (6:02pm).

The Engagement Manager took Members through the report, recapping key
achievements in the Audit process. She informed Members that general
delays had meant a 3-month extension was required on the opinion report and
answered Members questions on the report and update.

Decision: The report was noted by the Committee.

AUD.47 Informing the Audit Risk Assessment

The Committee received a report from Grant Thornton informing the risk assessment for Wyre Forest District Council (WFDC) 2021/22. The Engagement Manager reminded Members that this was a report that was presented to the Committee annually to help maintain the two-way communication between Officers and Members and to encourage feedback on areas that may require attention.

Decision: The report was noted by the Committee.

AUD.48 Internal Audit Monitoring Report 31st December 2021

The Committee received a report from the Head of Resources to present the Internal Audit Monitoring Report for the Quarter ended 31st December 2021. The Audit Manager presented the report to Members explaining that the work of the 3rd quarter was still ongoing and that the next report presented to the Committee would give full details for the full financial year. She informed Members that productivity was slightly below the levels expected due to a team member being on long term sick leave but that much of the expected audit plan had still been able to be produced by securing additional resource through the temporary appointment of a previously retired member of the Internal Audit Team.

The Audit Committee considered:

1.1 The Internal Audit Monitoring Report for the Quarter ended 31st December 2021 as detailed in the Appendix to the report.

AUD.49 Internal Audit - Annual Audit Plan 2022~23

The Committee received a report from the Head of Resources to inform members of the Internal Audit – Annual Audit Plan 2022~23 which had been prepared in accordance with the UK Public Sector Internal Audit Standards 2013, updated 2016 amended 2017. The Audit Manager took Members through the report explaining that the summary of the breakdown was similar to other local authorities and offered more detail on the scope of work intended to be completed. Cyber security continued to offer challenge and the ICT manager works closely with the Audit team in this area. The Audit Manager answered Members question on cyber security and listed the work carried out to offer protection in this area including the training modules staff and Members are required to complete.

The Audit Committee agreed to:

1.1 Consider and approve the Internal Audit – Annual Audit Plan 2022~23, attached as Appendix 1 of the report.

1.2 Delegate any in-year amendments to the plan to the Section 151 Officer in consultation with the Audit Manager in light of developments arising during the year as described in paragraph 3.6 of the report.

AUD.50 Risk Management – Corporate Risk Register

The Committee received a report informing Members of the Audit Committee of the current Corporate Risk Register and the Budget Risk Matrix. The Head of Resources presented the report reminding Members of the importance of risk management to the Council's corporate governance and the process used to identify, record and monitor risks. The risk register is split into operational and strategic areas and a workshop is held annually with the Corporate Leadership Team to review and update the register and mitigating actions. She informed Members in detail of the 4 mitigating actions flagged as being behind target and the reasons for this.

The Audit Committee considered and noted the Corporate Risk Register and the associated mitigating actions as at 31st January 2022 and the 2022-25 Budget Risk Matrix.

There being no further business, the meeting ended at 6:26pm.



Wyre Forest District Council audit plan

Year ending 31 March 2022

Wyre Forest District Council
25 May 2022



Contents



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

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Significant improvements from the Financial Reporting Council’s (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC’s inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as ‘major audits’ which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as ‘Good’ and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an ‘encouraging response by the firm to the quality findings reported in the prior year.’ Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management’s valuer, use of an auditor’s expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Key matters

Factors

Council developments

The Council has identified a £2m budget gap. The council has had a refresh of its corporate priorities which reflects the council's recognition that it needs to reduce the size and scope of the council in response to its financial pressures. There has been a management restructure and continuing review of services with Council stated objectives of transferring services and assets to other organisations and reducing the extent of discretionary services and grants.

At the same time the Council has continued to work with partners and other agencies to facilitate developments and improvements in the area. The Future High Streets Fund has awarded the council £20.5m which is funding three major projects in Kidderminster supporting the Council's long term vision for the town. Developments include the Crown House/ Bullring area, Worcester street and the former magistrates court.

North Worcestershire Economic Development Regeneration has had a successful proposal whereby a further £17.9m is to be invested into the Kidderminster town centre.

Recovery from Covid 19 pandemic

Since the start of the pandemic the Council has been involved in awarding the various discretionary and non discretionary Covid related grants and this continued in 2021/22. This added pressures to existing staff workloads but the council was overall successful in administering these schemes. In response to reducing central government grants the council has become more reliant on its operational and commercial income streams. The reduction in income from car parking and rents from commercial properties therefore had a significant impact on income from these sources, although this was offset by central government support. The Council is anticipating that these income sources will recover going forwards.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with management.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control
- We identified a significant risk in regards to the valuation of properties.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

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

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

Significant risks

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

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

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

Materiality

We have determined planning materiality to be £1,080k (PY £1,000k) for the Council, which equates to 1.9% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £50k (PY £50k). We have set a lower level of materiality for senior officer's remuneration at £10k.

Value for Money arrangements

We have yet to complete our value for money risk assessment. We will provide an update as part of our progress report to the committee in July 2022.

Audit logistics

Our interim visit took place in March to April. The final accounts visit dates are yet to be confirmed but the audit is expected to take place between August and November 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £60,531 (PY: £60,181) for the Council, subject to the Council delivering a good set of financial statements and working papers.

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

Significant risks identified

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

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

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	<p>The Council revalue its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We have identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • test revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by the valuer for those assets revalued at 31 March 2022. For any assets not formally revalued in year we will assess how management has satisfied themselves that these assets are not materially different to the current value at the year end.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£57.8m) in the Council's 2020/21 balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the inflation rates and life expectancy, where, in the prior year, the actuary indicated that a 0.1% change in these two assumptions would have an approximately £2.3m and £4.6m effect on the gross liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Worcestershire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

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

Introduction

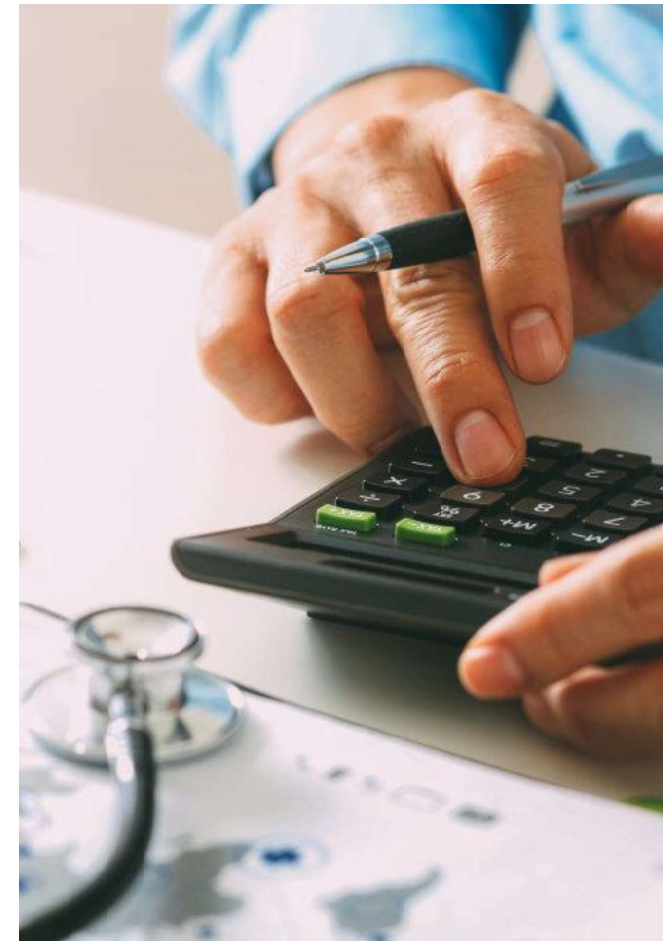
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

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

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

Specifically do Audit Committee members:

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



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

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

The Council's Information systems

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

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

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

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

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



Estimation uncertainty

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

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

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

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

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

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

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

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management and the responses were shared with Those Charged with Governance at the Audit committee in March 2022.

Further information

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

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

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1,080k (PY £1,000k) for the Council, which equates to 1.9% of your gross expenditure for the prior year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £10k for Senior officer remuneration.

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

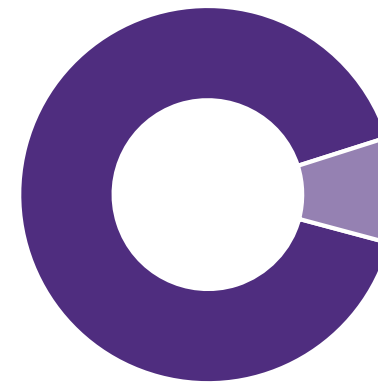
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £50k (PY £50k).

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

Prior year gross operating costs

£56.79m Council
(PY: £53.6M)



Prior Year Gross Operating Costs

Materiality

£1,080k
Council financial statements materiality
(PY: £1,000k)



£50k
Misstatements reported to the Audit Committee
(PY: £50k)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	<ul style="list-style-type: none"> Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

We have yet to complete our value for money conclusion risk assessment which will be provided in an update to the plan in July 2022.



Audit logistics and team



Laurelin Griffiths, Key Audit Partner

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



Zoe Thomas, Audit Manager

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



Josh Williams, Audit Incharge

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

Audited body responsibilities

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

Our requirements

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

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

Audit fees

PSAA awarded a contract of audit for Wyre Forest District Council to begin with effect from 2018/19. The fee agreed in the contract was £37,681. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 11 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22 to date, as set out below, is detailed overleaf. Our final fees for 2021/22 are currently being reviewed and we will provide separate communications to management and the Audit Committee once confirmed.

	Actual Fee 2020/21	Actual Fee 2019/20	Proposed fee 2021/22
Wyre Forest District Council Audit	£60,181	£53,181	£60,531
Total audit fees (excluding VAT)	£60,181	£53,181	£60,531

Assumptions

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

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

Relevant professional standards

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

Independence and non-audit services

Auditor independence

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

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

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

Other services

The following other services provided by Grant Thornton were identified.

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

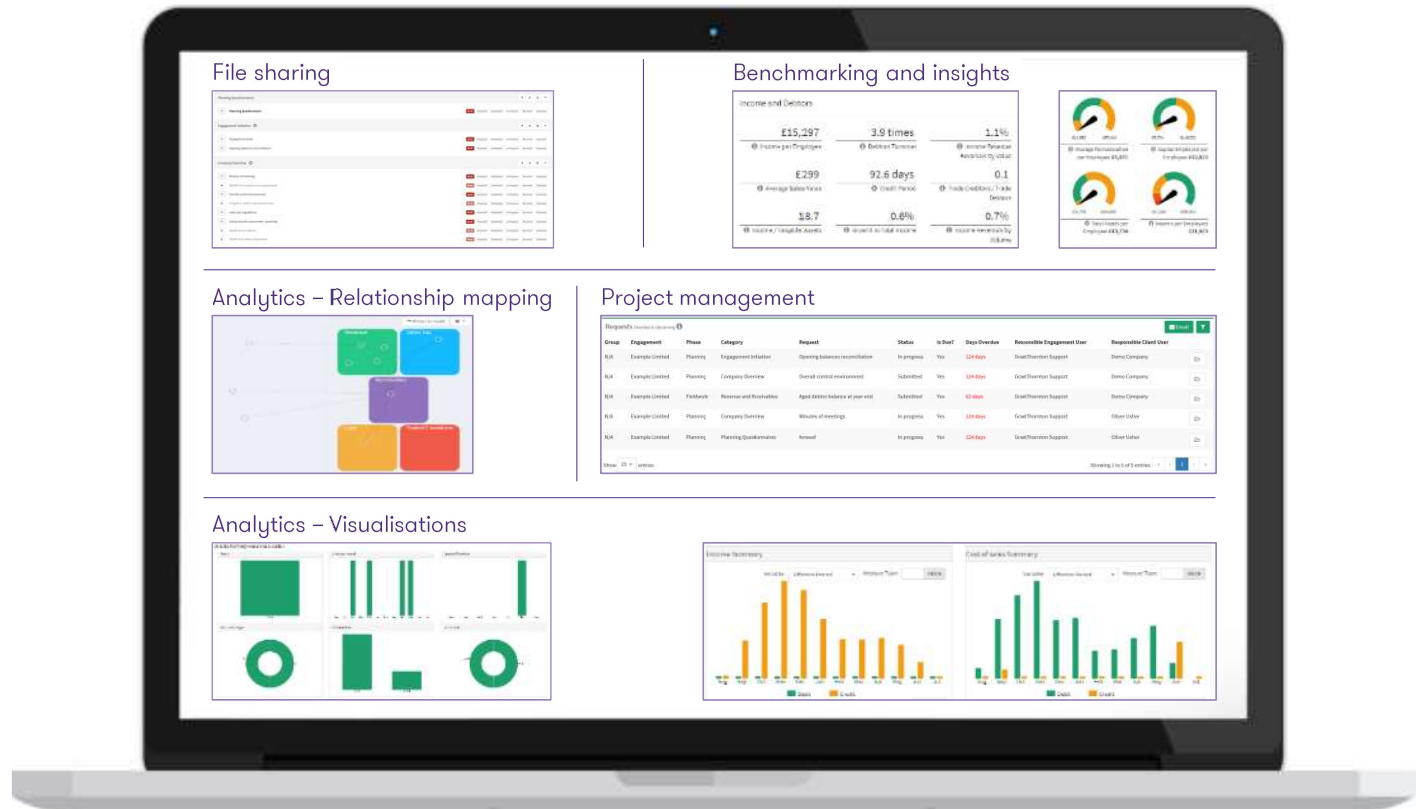
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits	12,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,000 in comparison to the total fee for the audit of £60,531 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related	-	-	-
Total	12,000		

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



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Auditor's Annual Report on Wyre Forest District Council

2020-21

April 2022



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive Summary	3
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	5
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Improving economy, efficiency and effectiveness	18
Opinion on the financial statements	22

Appendices

A – The responsibilities of the Council

B – Risks of significant weaknesses – our procedures and findings

C – An explanatory note on recommendations

D – Use of formal auditors' powers

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

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

2020/21 was an unprecedented year in which the Council operated with the majority of its staff home working whilst supporting local businesses and residents through the pandemic. The Council incurred significant cost pressures relating to Covid-19 including supporting leisure operations and significant reductions in commercial income, on which the Council is increasingly reliant. There were significant reductions in car parking income, waste services and capital account related properties. The Council administered around £33m in grants, the majority to support local businesses. The Council itself received almost £3m of Covid-19 grants which was used to offset lost income and to support activities. For 2020/21 the Council reported an outturn broadly in line with that planned (£0.052m more favourable than original budget) with the accounts reflecting a £11.4 m increase in overall general fund balances as at 31 March 21. This increase was driven, in the main, by business rate grants as well as other unallocated grants. We would expect that much of this balance will be used during 2021/22 to meet future Covid-19 obligations and replenish the collection fund shortfall from 2020/21. The unearmarked general fund balance itself reflects a modest reduction of £0.4m.

We have not identified any significant Value for Money (VFM) weaknesses, but have identified 6 opportunities for improvement which are set out in detail within our report.

Criteria	Risk assessment (per audit plan)	Finding
Financial sustainability	Risk of significant weakness	No significant weaknesses in arrangements identified, but two improvement recommendations made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendations made

	No significant weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weakness in arrangements identified and key recommendation made.



Financial sustainability

Overall we are satisfied that the Council had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting, monitoring, reporting and the Medium Term Financial Strategy. We have not identified any significant weakness in arrangements but have identified opportunities for improvement. Specifically:

- review how the capital portfolio assets are delivering against wider economic regeneration objectives.
- develop a workforce plan that is consistent with and underpins the Council's corporate priorities and supports the Medium Term Financial Strategy.

Further details and management's responses are on pages 10-11.



Governance

We have not identified any areas of significant weakness in the Council's governance arrangements with regard to managing risk, setting ethical standards, internal control and budget monitoring. We have, however, made improvement recommendations with regard to:

- reviewing the risk management process within the Council including:
 - updating the risk management strategy
 - Member and officer training on risk management
 - reviewing the corporate risk register, focussing on the key risks associated with the strategic priorities.
- collating and analysing data around service complaints as a source of performance information, both in terms of how management deal with complaints about the Council but also as a source of information on the quality of services
- improving the budget monitoring arrangements, in particular focussing on:
 - more timely reporting of the quarterly budget position
 - realistic forecasting of the capital programme
 - developing integrated financial and performance reports

Further details and management's response are provided on pages 15-17.



Improving economy, efficiency and effectiveness

We have not identified any areas of significant weaknesses in arrangements with regard to improving economy, efficiency and effectiveness. We have however, recommended that following the refresh of corporate priorities in 2021, the Council should undertake a review of the performance data being collated and rationalise these to more clearly align with refreshed priorities. Further details and managements response are provided on page 21.

Opinion on the financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

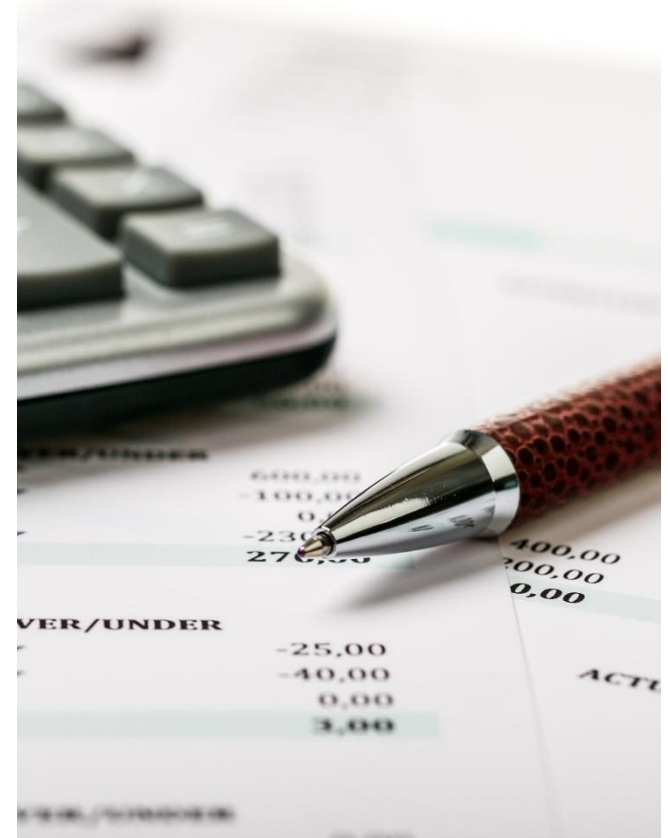
- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during the summer 2021 with an unqualified opinion issued on 30 September 2021. Full details of our findings from the audit are detailed in our Audit Findings Report issued to the 29 September 2021 Audit Committee.

Our audit work did not identify any material errors or adjustments to the financial statements. We did recommend a small number of adjustments to improve the presentation of the financial statements.

Very few opinions were issued by the 30 September 2021 deadline this year, and this was only achieved at Wyre Forest District Council through the commitment and support of the finance team to resolving all audit matters in a timely manner.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 21. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- responded to the financial challenges posed by the Covid-19 pandemic
- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2020/21

The 2020/21 Council original revenue budget was predicated on the use of £485k from reserves. The outturn report included a £433k contribution from general fund at outturn.

The outturn is after a sizeable contribution to earmarked reserves in respect of Covid-19 related funding received in year and expected to be applied in 2021/22. Of this, the majority, totalling £10.6m, is in respect of the business rate support grant (section 31) but also a further £1.3m in additional reserves for specific purposes including risk reserves, £0.15m into the innovation fund and £0.5m of contingency for the Future High Street Programme.

The Council faced significant pressures as a consequence of the pandemic. In particular, the Council's main leisure centre, operated by a third party (Places for People), was hugely impacted by the closure of the facilities in the year. In common with many other councils, Wyre Forest DC agreed to support the centre, including forgoing the management fee. The revised budget reflected an expected net cost to the Council of over £1m for 2020/21, but in the event, the lost income to the Council and support for Places for People was in the main met from various grants.

Other areas seeing a significant impact included budgeted income from parking and anticipated commercial income from the properties within the capital portfolio fund.

The Council received £2.7m in non specific grants to support its response to the pandemic (£1.6m) and lost income (£1.1m).

Covid-19 arrangements

Covid-19 posed a significant financial challenge to the Council's financial planning and made financial forecasting difficult as new periods of national lockdown were announced and additional tranches of government support allocated to councils. The Council did not reset the 2020/21 budget in response to the pandemic, but continued to report variances in costs and income against the original budget set in February 2020.

At Quarter 1, when there was still an emerging picture of funding and the full year costs of the pandemic, the Council was forecasting year-end deficit of £1.4m. The Council was anticipating £5.9m of additional costs/ loss of income offset by £2.8m of government funding and £1.7m spreading of collection fund losses. The Council continued to monitor the costs of the pandemic through the monthly Covid-19 financial management returns to the government, and as the financial year progressed and both costs and support became more certain, the net position reported to Members each quarter gradually improved.

Financial sustainability

Budget setting

The 2021/22 budget was set based on the funding announced in the local government finance settlement. Nationally there was an increase in spending power of 4.6%, with 3.5% specifically in relation to the Council. There is a recognition that the Council has done relatively well out of the settlement compared to other shire districts. The settlement introduced additional measures to support councils through their recovery from the pandemic, such as another tranche of general Covid-19 funding, additional sales, fees and charges (SFC) compensation grant and a new one-off tranche of New Homes Bonus grant. The Council included the £1.1m of Covid-19 support grants in the base budget. The budget assumed that the identified budget gap of £1.8m would be met through continued delivery of the planned level of savings identified in prior years plus a further £0.8m of in-year savings supported by £0.5m in year use of reserves to support expenditure.

Despite the challenges of Covid-19 the Council undertook its annual consultation process to support the budget preparation and again prepared alternative budgets to reflect the views of the other political parties. The budget process reflected a review of the corporate plan which itself reflected the financial pressures the Council finds itself under. Plans to bridge the funding gap included a management review, which resulted in the early retirement of two chief officers, a review of pay and grading (implemented in July 2021) and a proposal for expansion of shared services, again mainly taking effect from 2022/23 onwards. It is evident that the budget setting process included a high level of engagement and challenge by senior members of the Council.

Our work has confirmed that the budget is informed by the Medium Term Financial Strategy (MTFS) which is approved as part of the budget report. Risks and assumptions relating to the budget are clearly set out and reported to Members.

The impact of borrowing and investment activity is reflected in the revenue budget, with the budget book clearly setting out the costs of interest payable, Minimum Revenue Provision (MRP) and income from interest receivable.

Medium Term Financial Strategy (MTFS)

Income assumptions:

The Council is increasingly reliant on income sources such as car parking, trade waste, net income from leisure centres, rental income from Wyre Forest House and receipts from the properties within the capital portfolio fund. The 2020/21 budget assumed over £2m net income in these areas. These were impacted significantly, as reflected in the revised 2020/21 budget, although the loss was subsequently offset by grant at outturn. The MTFS assumes that the position will recover to the 2020/21 budget levels (pre Covid-19 impact) by 2023. Specifically for industrial sites, the Council is budgeting for a significant increase in income generated from these facilities over the life of the plan, reflecting the capital investment in these assets.

There is some inherent risk to assumptions around recovery of income in commercial activity in the current environment. We note that the Council has included risk reserves in relation to the capital portfolio fund properties, in order to provide a buffer in these areas (£21.4k in 2020/21 rising to £60k by 2023/24), reflecting the ongoing uncertainty. A bad debt provision of £105k was anticipated in 2020/21 with further provisions of c£40k for the remaining 3 years of the MTFS).

There are other risks with this portfolio associated with reduction in the valuation of these properties, as the valuations will reflect the challenges in the market for rental space and ultimately they may be worth less than was paid for them, should the market not recover. The Council regards the capital portfolio assets as 'operational' rather than investment, reflecting the fact that they contribute to the wider priorities of the Council, in addition to income generation. We would recommend that the Council undertakes a review of how these assets are delivering against these wider economic regeneration objectives set when the assets were purchased (business plan) in order to have a full understanding of the ongoing contribution of the assets to the Council.

Financial sustainability

Medium Term Financial Strategy (continued)

Funding gap

When the 2021/22 budget was set it assumed a funding gap of £1.3m, and this has been revised during the year

	2021-22 £	2022-23 £	2023-24 £	2024-25 £
Funding gap (budget)	1,884,510	2,316,900	2,736,180	2,921,690
Revised funding gap Oct 21	1,355,220	1,109,240	2,127,080	2,306,170
Decrease in planned use of reserves	529,290	1,207,660	609,100	615,520

The Council has a strong track record of delivering recurring savings. The Council is looking to be a smaller organisation going forwards. The localism agenda includes a desire for more discretionary services to be delivered by other organisations. This is reflected in the savings plans going forward. Beyond 2021/22 there is also increasing focus on shared services as a means to deliver recurring savings. Collaborative working as a means of generating savings is clearly a key area for further work. The current financial plans do not yet fully detail the levels of savings likely to be generated as a result of these new ways of working.

These savings include a management restructure that has resulted in a new flatter structure following the removal of two chief officer posts with all senior managers now reporting direct to the Chief Executive.

There also remains a focus on expanding commercial activity to continue to generate additional income.

Consistency of MTFs with other planning documents

As referenced earlier, the Council has revisited its corporate plan as part of the preparations for the 2022/23 budget setting. We have seen that the Council is engaging with other authorities and its partners to develop new ways of delivering discretionary services and to make improvements to areas such as to high street infrastructure and other economic regeneration projects.

We reviewed the Council's workforce planning strategy document (updated May 21) however, this appears to be more of a position statement, setting out challenges faced by the sector and that there is a need to adapt the workforce rather than providing a clear direction of travel for the Council. As a result it is impossible to relate workforce expectations with financial planning and so we are unable to conclude that the MTFs is underpinned by an up to date workforce strategy.

The Council has a commercial strategy and this supports key strands of the MTFs, with the objective to make money by providing services that can be charged for and generating revenue that reduces net cost releasing resources that can be reinvested in Council services. To support delivery of the strategy the Council had a Commercial Activity Programme Board to monitor performance and consider proposals for further income generation activity. This function has now been taken over by Cabinet and the Corporate Leadership Team (CLT).

Capital strategy and Treasury management

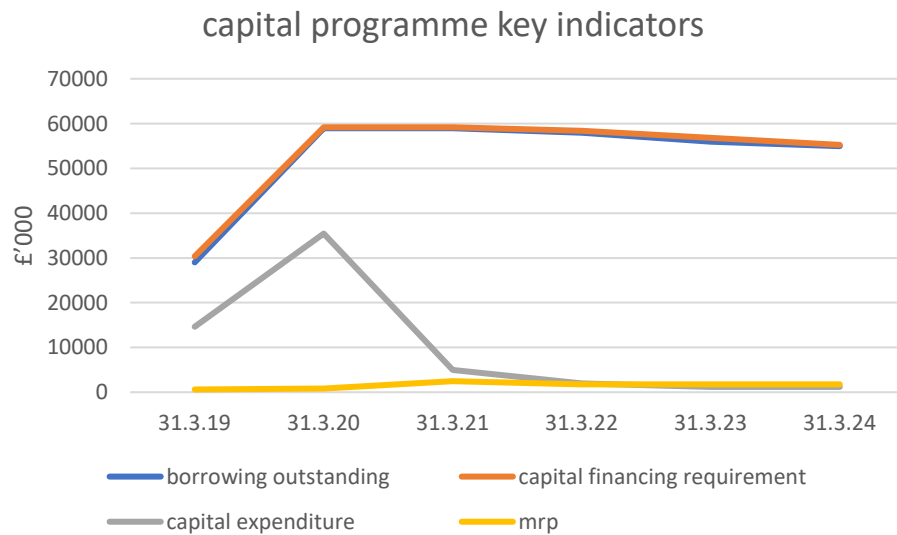
Capital programme

The approved Council capital programme for 2020/21 was set at £9.5m, with slippage from 2019/20 of £22m. The budget was subsequently revised to £15m for the year, and at quarter 3 £14.9m was expected to be spent by the year-end, and slippage of £0.3m. The actual capital expenditure was only £4.9m, a significant slippage in the programme and reflects a generally unrealistic programme. Key areas of slippage included development loans fund £2m, capital portfolio fund £6m, ICT strategy £0.2m, disabled facilities grants £1.8m, and vehicles programme £0.2m. The capital programme for future years reflects the substantial funding awarded from the Government's future High Street Fund and the levelling up Fund plus the brought forward slippage. The amount allocated as development loans funds of £8m is to be reviewed. The capital programme budget for 2021/22 was set at £40.5m.

The majority of the spend not grant funded is to be funded from PWLB loans.

Financial sustainability

The graph below is derived from the 2020/21 capital strategy and therefore does not reflect the slippage and reprofiling of the capital programme into 2021/22, but it demonstrates the anticipated increase in capital expenditure and borrowing.



The Council has in place a capital strategy as required by CIPFA which is updated annually, was reviewed in December 2020, and again February 2021. An asset management plan has been agreed. The Capital Strategy approved in February 2021 references the changes to the PWLB lending terms where councils can no longer access this source of borrowing if they have plans to purchase commercial assets primarily for yield.

The Council has previously purchased assets within the two LEP footprints but the current approved policy changed the Capital Portfolio Strategy to only make acquisitions in the district. An extension to the geography was proposed as part of the 2022/23 budget process and capital strategy refresh has subsequently been approved at Council on 23 February. As referenced earlier in the report, the Council has consistently indicated that assets within the portfolio are acquired for a combination of economic regeneration purposes and yield.

With such a substantial capital programme going forward it is critical that the Council continues to keep in year monitoring up to date and ensures that there is consistent forecasting of the revenue consequences in year. Where the Council is working with partners to deliver these large capital schemes, it is also important that there is appropriate governance and controls around expenditure that will ultimately be reflected in the Council's accounts.

Reserves

As at 31 March 2021 the Council had £26m of general fund balances, compared to £14.7m the prior year. The Council has set itself a working balance of £1.2m which is the minimum level of unallocated general fund balances. £10.6m of the additional new earmarked reserves are Covid-19 related - business rates and external funding and is expected to be utilised in 2021/22. The Council was able to make an addition to other reserves of £1.3m in year. The Council holds a number of reserves to mitigate future risk:

- Business rates equalisation reserve £3.1m (unchanged on prior year)
- General risks £675K
- General waste reserve £251K

In terms of the level of reserves, after adjusting for the Covid-19 allocations identified above, the general fund balances reflect over 100% of net service expenditure and thus the current level of balances is not currently a major concern. The Council is continuing to use balances to support spending and this is reflected in the MTFS. Non delivery of current savings plans would clearly impact on the level of balances.

Improvement recommendations



Financial sustainability

1 Recommendation	The Council should undertake a review of how the capital portfolio assets are delivering against wider economic regeneration objectives set when the assets were purchased (within the business plan) in order to have a rounded understanding of the ongoing contribution of the assets to the Council and the overall success of the programme.
Why/impact	A rounded understanding of the success of the programme is important so members and the public can see how effectively the Council is using its resources and whether actions taken are supporting delivery of the Council's priorities both in terms of contributing to the Council's economic regeneration aspirations on these assets and yield.
Summary findings	The Council has invested (and borrowed) significantly in the capital portfolio fund. The financial performance of these assets is monitored and reported to scrutiny committee regularly. The assets themselves were acquired to contribute to the wider economic regeneration aspirations of the Council and to provide a yield. We are not aware that the Council has undertaken an overall review of the capital portfolio programme against the original benefits anticipated.
Management comment	Performance is formally reported on a quarterly basis to Cabinet and Overview and Scrutiny Committee with more detailed reports being presented to Cabinet/CLT. More regular updates are provided to the Cabinet Member with responsibility for the Capital Portfolio. A formal review against business plans has been requested by the Cabinet and is scheduled to be complete by summer 2022.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

2 Recommendation	The Council should develop a workforce plan that is consistent with and underpins the Council's corporate priorities and supports the Medium Term Financial Strategy.
Why/impact	A workforce plan is a key document to support delivery of the corporate plan and feeds into the Medium Term Financial Strategy. The absence of a workforce plan can mean that decisions made on both redundancy and recruitment may be overly focussed on short term considerations and may result in a workforce that doesn't effectively support the delivery of the Council's priorities
Summary findings	The Council has a workforce plan, however it is lacking on detail in terms of the workforce planning assumptions to support the corporate planning and MTFs.
Management comment	The current workforce plan includes succession planning. This is at service level. The Council is committed to developing staff through formal, external training and apprenticeships. The tranche 1 restructure of the Finance team (December 2021) was shaped around the need for succession planning. The Head of HR and OD is undertaking deep dive exercises into the make-up (skill and age profile) of teams across the Council, supported by the LGA, to better inform work force planning. The people and OD Strategy and Action Plan is due to be reviewed in September 2022 for implementation in April 2023. The recommendations in this report will be considered as part of the plan.

The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Covid-19 arrangements

During the 2020/21 financial year the Council supported the community, businesses and the delivery of critical services through the pandemic, and adapted governance arrangements as required.

A number of decisions, in particular arrangements around the award of Covid-19 grants were taken by the Council Leader under the 'strong leader model' due to the urgency around agreeing some of these schemes. These decisions are recorded on the Council website. In addition, other decisions were delegated to the Chief Executive and Director of Resources, including some revisions to the Financial Regulations to allow some greater flexibility.

Covid-19 grants

During the 2020/21 the Council responded quickly to the need to process Covid-19 related grants. Internal Audit supported the process and in their annual report referenced that 4609 Covid-19 related grants were paid out in 2020/21 with a total value of £31.8m. Internal Audit flexed their annual plan undertaking detailed post assurance payment checks to cover this central government grant funding, checking 1134 claims. The Council had in place a dedicated grant support web page and received positive feedback from local businesses around how supportive the Council was during this time. In our view the Council struck the right balance between speedy distribution of the grants to businesses in need whilst also ensuring, with the support of Internal Audit, that appropriate and proportionate checks were in place to validate the legitimacy of the claims being paid.

Covid-19 related pressures

Management was acutely aware of the risk presented by the pandemic on the Council's financial position. A report went to Cabinet in May 2020 detailing the assessed financial risks and within the report, delegated approval was sought for the Director of Resources to use general balances to support the financial position of the Council, as needed. The report provides a good overview of the risks and the likely funding available. The position at this stage was very uncertain and in the event the impact and the extent of central government support available meant that the actual out turn for 2020/21 was much improved with actual funding in year greater than anticipated.

The leisure centre, which is operated by a third party, was a particular issue for the Council. Reduced income for the provider required a number of decisions around the level of support to be provided, both whilst the centre was closed and during the transition period when it was open, but not fully operational. Again decisions were made under delegated approval but to assist transparency, reported on the Council website.

Operational responses

During the year the Council provided a regular communications bulletin to staff and established arrangement for planning and decision making in response to the evolving position. All teams were expected to have business continuity plans. The majority of staff worked from home, which had already been the direction of travel for a number of services such as revenues and benefits. This assisted in ensuring services were not significantly disrupted by the 'work from home' mandate.

Managing risk

The risk register is reviewed by the Council insurers and the expectation is that it is updated annually by CLT. As part of our attendance at the Audit Committee we observed the discussion around the corporate risk register evidencing its challenge by those charged with governance and the response from the Corporate Director: Resources on behalf of CLT. The role of the audit committee is to provide assurance to Cabinet on the adequacy of the risk management process. We not seen any evidence of assurance being provided to Council or Cabinet as a result of the audit committee review of the register. Guidance also indicates that the top strategic risks will be reported to the cabinet on a six monthly basis, however ,we have not seen evidence of this.

The Council's risk strategy was drawn up in 2007, with the expectation that this would be subject to revision should there be any significant changes in its role within the Council and the changing risk landscape. It is reasonable to expect that some form of review and update would have been made since then, both to reflect the evolution of the Council but also to reflect the development of risk management in local government . For example there is a lack of reference to 'risk appetite' which is an important consideration in the management of Council risk.

As part of our review we also considered the relationship between the corporate priorities and strategies and the key risks reflected in the register. The corporate risks are driven both 'bottom up' from service risk registers, but also top down to provide management focus on delivering the corporate priorities. We note that there was some mismatch between these corporate priorities and corporate risk indicating some lack of the 'golden thread' in the risk management process.

We have seen that routine reports including those driving decision include a consideration of risks as part of the report so that decision makers are sighted and can consider risks as part of the decision making process.

We have also seen that specific registers are maintained and monitored separately for significant individual projects- e.g. the depot project, which is good practice.

Overall there is some scope for the Council to review the risk management process and how it supports the Council's governance process. A review of the risk management strategy would be beneficial and training on the risk management process should be incorporated into the wider member training programme.

Monitoring standards

There is evidence of an appropriate "tone from the top" being set in respect of decision making and ethical behaviour from senior officers and Members. Key documents including the constitution, whistleblowing and fraud and corruption policies are in place and are subject to periodic review. There is a member code of conduct which is currently under review in collaboration with the other LG bodies in the county. Registers of interests are publicly available and a register of gifts and hospitality is in place. We note that there have been few entries on this register, however, we acknowledge that these were probably limited during the year due to the pandemic and periods of lockdown.

We noted that management was able to provide information on more formal complaints such as those involving the ombudsman and we saw evidence of reporting of these types of complaint to committee. In addition, we did not see any evidence of analysis and reporting of more general service complaints. We would expect reporting of the nature and response to complains more generally, including response times as well as consideration of trends and potential action to reduce them going forward. Such a process should also be used to inform service reviews as part of more general service performance data.

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. Through our review we are not aware of any instances where officers or elected members have not complied with the necessary standards.

We note that in the recent management review there is now a much flatter structure with the removal of two chief officers and Heads of Service now reporting to the Chief Executive. The statutory posts of S151 Officer and Monitoring officer are Heads of Service posts. The structure has been established to achieve savings as part of the Medium Term Financial Strategy whilst recognising a slimmed down remit of the Council going forwards. The removal of key posts, particularly at such a challenging and uncertain time in local government both operationally and financially will inevitably provide some capacity challenges at least in the short term. We will keep this under review as part of our ongoing work with the Council.

Overall we have not identified any significant weaknesses with regard to the Council's arrangements for ensuring adherence to laws and regulations or ethical standards.

Internal Control

The Council has an in-house Internal Audit function. During 2020/21 the service delivered 90% of its planned days. As mentioned earlier, the team had to divert some of its resources from the planned systems and probity work into commissioned projects in response to the pandemic. Despite this, there was sufficient coverage for the Head of Internal Audit to give a 'reasonable assurance' opinion in May 2021 on the systems operating in the year.

In 2018 there was an external assessment of the internal audit services in line with the requirements of internal audit standards. An audit quality assurance improvement programme was developed as a consequence of this review.

We have completed our audit of the 202/21 financial statements and no significant matters were identified as part of our work.

Overall we are satisfied that there are no significant weaknesses in the Council's overall internal control arrangements.

Budgetary process

In common with other Councils, the budget process starts in the autumn and is refined in the new year when the settlement information is provided around Christmas time. Alternative budgets are put forward by the opposition parties which are considered and the process ultimately results in a revised MTFS and budget going to the Council in February. As can be seen from the minutes and the agenda in February 2021, the process involved a review of the corporate priorities and quite challenging budget proposals, including a management restructure and localism - reflecting the views of the new administration and the challenging financial horizon as set out in the MTFS.

In November 2021, at the start of the next budget cycle, a revised MTFS is presented that resets the financial landscape to commence the next budget process. The revised position for 2022/23 is less pessimistic than that anticipated in Feb 2021 (funding gap reduced by £1.2m for 2022/23).

Budget monitoring and control

There are designated service accountants who work with individual budget holders to agree and update budgets. Monthly budget reporting is considered informally at both member and department level through the various meeting forums.

Quarterly formal budget reporting takes place. Quarter 1 is reported in September, Quarter 2 is subsumed into the budget setting and revised budget process in December and Quarter 3 is routinely reported in March. There is scope to improve the timeliness of this formal reporting to assist decision makers in ensuring corrective action, when necessary, can be taken at the earliest opportunity, although it is acknowledged that reporting to Cabinet Members informally occurs in a more timely manner.

Historically the Quarter 3 reporting tends to be pessimistic leading to a more positive outturn than expected which is generally applauded by leading members, as a reflection of good financial management rather than there being proportionate challenge of the accuracy of the in year reporting. For 2020/21 the Council reported an outturn in line with Quarter 3, however, this was after unplanned allocations to earmarked reserves.

Reporting of spend against the Capital Programme is sometimes aspirational rather than reflecting market reality. At Quarter three management was projecting £14.9m to be delivered despite the inherent risk of delivery falling considerably short (outturn was £4.9m). We understand that this approach to capital programme forecasting is historical, however, it is not very useful to decision makers. The capital programme clearly has implications for the revenue budget including interests payments and estate management. This approach directly leads to inconsistencies in assumptions between the two elements of the same Cabinet report.

Financial reports to Cabinet are not integrated with operational performance reporting which is regarded as best practice, as such reports would put the financial position into the context of key deliverables and service performance. Whilst this integrated performance reporting is not yet that common within local government the need to have more integrated reporting has been recognised by senior management as a development area.

Treasury management

The Council has appropriate arrangements in place for treasury management reporting. The scrutiny committee receives annual training, reports are detailed and members appear to be engaged in the process. The budget reports to cabinet are focussed on financial information, including the forward view on the longer term financial position. There is reference to delivery of planned savings within the report.

We consider that there are areas of improvement within the Council budget monitoring and reporting process and our recommendation in this respect is detailed at page 18.

Improvement recommendations

Governance

3 Recommendation	The Council should review the risk management process within the Council. This should include: <ul style="list-style-type: none"> • An update to the risk management strategy • Member and officer training on risk management • Review of the corporate risk register, in particular focussing on the key risks associated with the strategic priorities.
Why/impact	Risk management is a key element of a Council's governance arrangements and there is scope to improve both process and member engagement in arrangements.
Summary findings	Risks are not mapped to corporate objectives. The risk strategy is over 14 years old and doesn't reflect all aspects of a strategy we would expect to see. It is unclear how corporate risks are considered by the cabinet members/ principle decision makers
Management comment	Management agrees that the Risk Management Strategy requires a refresh and the requirement for regular Member and Officer Training will be incorporated into the revised strategy. The revised Strategy will be in place for April 2023. The key risks associated with strategic priorities are reviewed annually and we will refine the presentation of the monitoring reports to strengthen the mapping of risks and strategic priorities.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

4	Recommendation	Management should collate and analyse data around service complaints as a source of performance information, both in terms of how management deal with complaints about the Council but also as a source of information on the quality of services
	Why/impact	Complaints about the Council should be dealt with appropriately and management and members should have assurance that this is the case and that there is appropriate learning as a consequence.
	Summary findings	Whilst management was able to provide information on more serious complaints involving the ombudsman, no information was supplied around general service complaints
	Management comment	The low level of complaints to the Ombudsman indicates that the Council is as good as or better than many other Council's in addressing complaints that are raised with it. Our "Let Us Know" policy means that feedback is most often dealt with quickly with an explanation, action or apology without escalation to our formal complaints procedure. Service Managers are expected to apply learning from complaints to adjust and improve processes. The Council will incorporate readily available information on feedback into future quarterly performance reports..

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

5 Recommendation	<p>Management should continue to improve the budget monitoring arrangements, in particular focussing on:</p> <ul style="list-style-type: none"> • More timely reporting of the quarterly revenue budget position • Realistic forecasting of the capital programme • Developing integrated financial and performance reports
Why/impact	<p>The Council should have realistic and timely financial forecasts to inform decision making. These should be integrated with performance information so that the financial performance of the Council is put into context of the operational performance and delivery of Council priorities</p>
Summary findings	<p>Current capital programme reporting does not provide a realistic forecast of the expected year end position. Inconsistent assumptions are made within the same quarterly finance report on the impact of the capital programme on the revenue projections</p> <p>Financial reports do not contain integrated performance information</p>
Management comment	<p>The formal quarterly reports are presented to managers and Cabinet members for review ahead of the formal presentation to Cabinet. We recognise that timeliness is an issue for formal reporting, and we will continue to explore ways to deliver earlier reporting cycles, using the strong leader framework if necessary if this cannot be accommodated in the municipal diary/calendar of meetings. The Q3 report for 2021/22 provides a more pragmatic forecast of the capital programme and a more robust framework will be introduced to strength the reporting and forecasting of capital spend and commitments in 2022-23. We will continue to explore how financial and performance reporting can be better integrated.</p>

The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- responded to the changes required as a result of Covid-19
- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Council refreshes its corporate priorities periodically. Whilst not in the year of audit, we note that a refresh has taken place more recently, in the Autumn of 2021, as part of the budget planning process. The number of priorities has been reduced, reflecting the ongoing financial challenges of maintaining service delivery at the current levels. This is also consistent with the objective of the recent management restructuring and the desire to increase the focus of the Council on its localism agenda.

The Council's performance management framework was refreshed in 2020 and so is relatively up to date. Whilst the framework allows for performance data to be considered by CLT monthly and by Cabinet and the Overview and Scrutiny Committee quarterly in practice this does not happen. Performance reports are generally considered by WF20 and Overview and Scrutiny. We have seen performance papers going to Scrutiny committee although the minutes from the meetings do not universally indicate that there was extensive discussion and challenge and the report was for 'noting' with no recommendations or actions arising. During 2020/21 we haven't seen any evidence that performance data was formally considered by the Cabinet as it did not form any part of an agenda and thus overall we are unclear whether there is an understanding at senior member level of the operational performance of the Council based on collated data.

The performance report is in three parts:

- performance indicators that relate to 'Wyre Forest forward',
- other performance indicators (more operational), and
- performance Indicators that relate to corporate priorities.

Whilst it is not unreasonable that there would be performance measures that relate to statutory functions or service data which do not directly link to the corporate priorities, it is difficult to understand why the Wyre Forest forward programme is not more integrated with the overarching strategic priorities of the Council. In view of the refresh of corporate priorities in 2021, it may now be appropriate to have a review of the performance data being collated and rationalise this to more clearly align with these refreshed priorities.

Benchmarking

We have seen that the Council has access to benchmarking data and this has been considered by CLT and shared with service managers through the Wyre Forest 20 (WF20) meetings. Management provided audit with a range of benchmarking reports that are used to inform the service reviews being undertaken as part of the transformation programme.

The financial resilience index reports also informs the February Report of the Chief Financial Officer in respect of Sections 25 Local Government Act 2003.

As the Council is relatively small, generally management consider they have a good understanding of the key cost pressures and financial indicators. Management formally considered the LG inform tool (May 2021) and generally judged that the data supported management’s expectations.

As part of our work we have considered CIPFA’s financial resilience index as set out in tables 1 and 2. This index provides an indicator of financial stress. Against the Council’s nearest neighbours group the Council performs relatively strongly across a number of indicators, in particular, in respect of the level of reserves (table 1). The Council also performs well against the Council tax requirement/ net revenue expenditure (table 2 a). The one area where the Council is an outlier is the fees and charges to service expenditure ratio however management are comfortable that this relates to the fact that the Council has done well in terms of growing the income streams, rather than reflecting poor performance(table 2 b).

Peer review

The last full peer review took place in March 2017, with a follow up report in February 2019. Overall feedback on the follow up review was that: *‘WFDC is a forward looking Council which has taken the Peer Review seriously and progressed well on implementing the recommendations.’*

Table 1

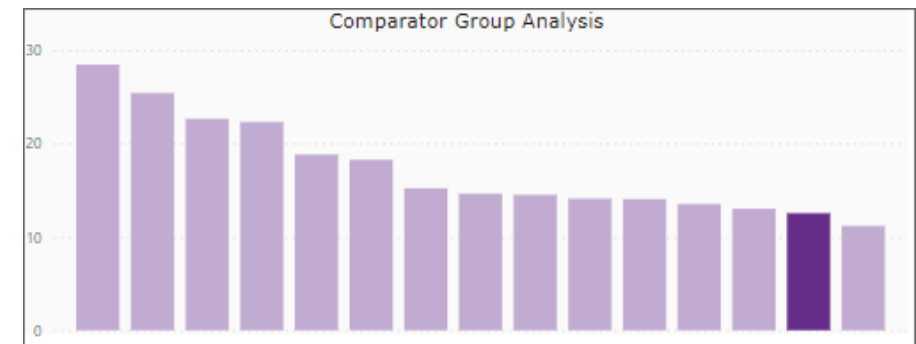


Source: CIPFA Financial resilience index

Table 2 (a)



Table 2 (b) Fees and charges to service expenditure ratio



Source: CIPFA Financial resilience index

Working with Partners

The Council works in partnership with various other councils and organisations on a number of services, either as host or where the service is lead by a third party. North Worcestershire Economic Development and Regeneration (NWEDR) is hosted by the Council and supports economic regeneration in Wyre Forest, Redditch and Bromsgrove. The regeneration proposal submitted by NWEDR that led to an award of £17.9m from the levelling up fund to invest in Kidderminster is one example of the success of this organisation.

Worcestershire regulatory Services, operating across the six district councils in the county is hosted by Bromsgrove Council, with a budget of over £3m.

The Council entered into a partnership with PSP Ltd in 2017 with the aim of progressing property proposals. This partnership has seen relatively limited activity to date.

The Council is also a member of the two Local Enterprise Partnerships (the Council is a member of both the Greater Birmingham and Solihull Local Enterprise Partnership and Worcestershire Local Enterprise Partnership) – partnerships of businesses, local authorities and universities that support private sector growth and job creation.

The Council also works with other organisations to provide mandatory and discretionarily services with voluntary and the community sector.

The Council is able to cite many examples of past and future proposals whereby working with partners it has been able to access grant funding and make improvements to the district. These include the new railway and ticket office and forecourt works completed in summer 2020 and Homes England funding for £2.7m Housing Infrastructure Fund contribution towards Churchfields highways improvements which has enabled the building of new homes in Kidderminster, much of which is social housing.

The refreshed corporate plan references working with partners as a means of achieving the majority of its strategic ambitions and we have seen evidence that the Council is doing this in practice.

Our review of the Council's arrangements for working with partners has not identified any significant areas of weakness but arrangements could be improved by RAG rating KPIs and providing a narrative to support the data, and by approving a Data Quality Strategy.



Procurement strategy

The constitution sets out the Council's procurement strategy which was last updated in 2021. During the year there were a number of challenges associated with the Unity Park This was not a large contract, however, the difficulties were taken extremely seriously. Internal review concluded that there were no failures in following contract procedures, however, there was learning from the process and further scope to develop the tender evaluation process, in particular around the financial assessment of bidders and their probable ability to deliver the contracts if awarded.

The Council has been working with West Mercia Police to support the procurement process.

Improvement recommendations



Improving economy efficiency and effectiveness

1 Recommendation	In view of the refresh of corporate priorities in 2021, it would be appropriate to undertake a review of the performance data being collated and rationalise these to more clearly align with refreshed priorities.
Why/impact	Performance information should provide leadership of the Council with a clear overview of the overall performance of the Council, and where performance is weaker or is not supporting delivery of the corporate priorities.
Summary findings	The performance report is in three parts – performance indicators that relate to ‘Wyre forest forward’, other performance indicators (more operational) and PIs that relate to corporate priorities. Whilst it is not unreasonable that there would be performance measures that relate to statutory functions or service data which do not directly link to the corporate priorities, it is difficult to understand why the Wyre forest forward programme is not more integrated with the overarching strategic priorities of the Council.
Management comment	Recommendations will be taken onboard when setting up data collections for 2022/23



The range of recommendations that external auditors can make is explained in Appendix C.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 29 September 2021. An emphasis of matter was reported in relation to the effects of the Covid-19 pandemic on the valuation of property, plant and equipment

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Governance Committee on 29 September 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audit.

Preparation of the accounts

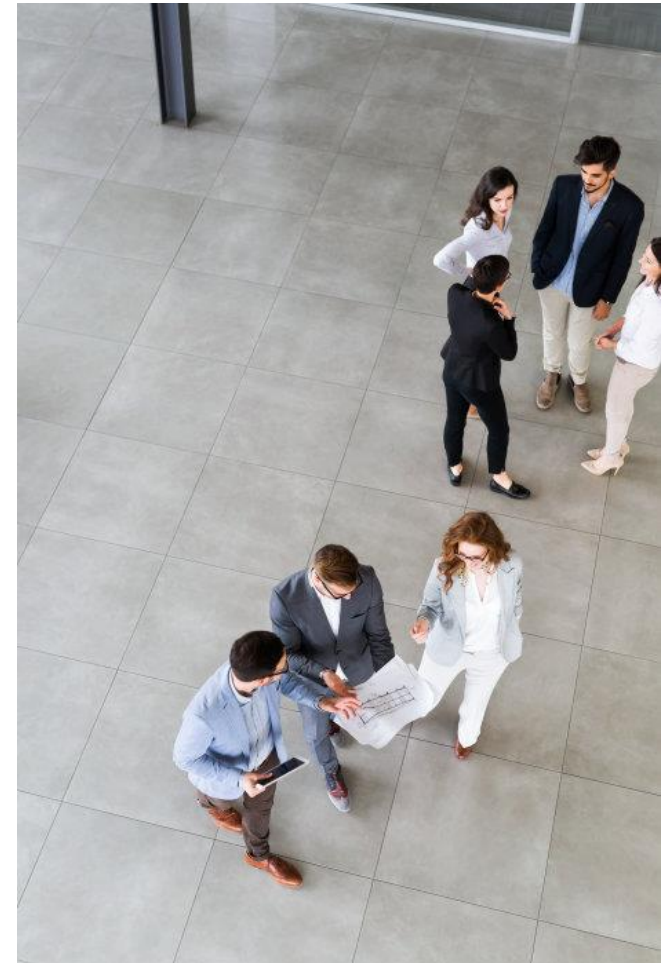
The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

- Our work did not identify any material errors or adjustments to the financial statements
- We recommended a small number of adjustments to improve the presentation of the financial statements
- We raised a high-level recommendation in relation to ensuring the Council has robust and transparent monitoring arrangements for schemes that are approved as part of the commercial strategy.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

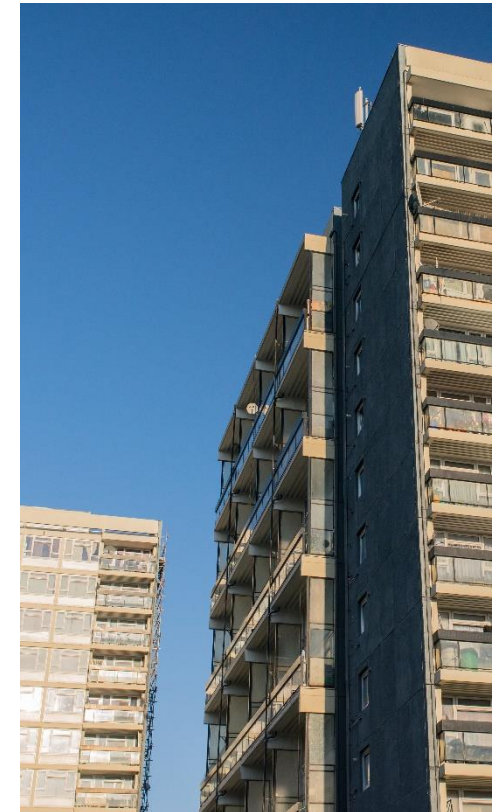
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness, see pages 6 to 11 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, four improvement recommendations raised.
Governance was not identified as a potential significant weakness, see pages 12 to 17 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, three improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 18 to 22 for more details	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, three improvement recommendations raised.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	no	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	no	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	yes	10,11,15-17, and 21

Appendix D – Use of formal auditor’s powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not made an application to the Courts.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not applied for a judicial review.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
25th MAY 2022**INTERNAL AUDIT MONITORING REPORT**
QUARTER ENDED 31ST MARCH 2022

OPEN	
CABINET MEMBER	Councillor Mary Rayner: Finance & Capital Portfolio
RESPONSIBLE OFFICER	Helen Ogram, Head of Resources And {S151 Officer} Extension 2907 helen.ogram@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31 st March 2022

1. PURPOSE OF REPORT

- 1.1 To present the Internal Audit Monitoring Report for the Quarter ended 31st March 2022, attached as Appendix 1.

2. RECOMMENDATION

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

- 2.1 The Internal Audit Monitoring Report for the Quarter ended 31st March 2022 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:

Agenda Item No.8

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 progress reports issued following completion of 2021~22 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 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 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 across quarters 2 and 3}. Following the completion of this review and subsequent report to the Audit Committee at its meeting in October 2021, resources switched back to the substantive Audit Plan work for the remainder of the 2021~22 financial year.

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:

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

7. RISK MANAGEMENT

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

8. CONCLUSION

- 8.1 The work undertaken by the Internal Audit Team in the quarter ended 31st March 2022 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
31st MARCH 2022**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31ST MARCH 2022

INDEX	PAGE
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SECTION 5 Performance against Annual Plan for the Financial Year 2021~22	68
Including Consultancy & Advice for the Quarter & Comparison of Consultancy & Advice for Quarter 31 st March 2021 & 31 st March 2020	69
Supporting Information for Other Internal Audit work including the Wyre Forest Forward reviews, process designs.	70
<i>Cheryl Ellerton</i> AUDIT MANAGER	
<i>Helen Ogram</i> SECTION 151 OFFICER	

4th May 2022

Quarter Report to the 31st March 2022

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 2

SECTION 1 FINAL AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 31 st March 2022		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
<u>Key Systems (Annual Assurance Reviews)</u>		
2021~22 Accounts Payable {Corporate Creditors} ~ Reconciliations	F	-
2021~22 Accounts Receivable {Corporate Debtors} ~ Reconciliations	F	-
2021~22 Council Tax ~ Reconciliations	F	-
2021~22 Council Tax ~ Compliance {Change of Circumstances & Recovery}	F	-
2021~22 Income to Bank ~ Bank Reconciliation	F	-
2021~22 NNDR ~ Reconciliations {Valuation Office & Income}	F	-
2021~22 NNDR ~ Compliance {Change of Circumstances & Recovery}	F	-
2021~22 Payroll {WFDC} ~ Reconciliations	F	-
2021~22 Treasury Management	F	-

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

SECTION 3

Quarter Report to the 31st March 2022

<u>DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 31st March 2022</u>	
<u>TITLE</u>	<u>DATE OF ISSUE</u>
~	~

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

SECTION 4

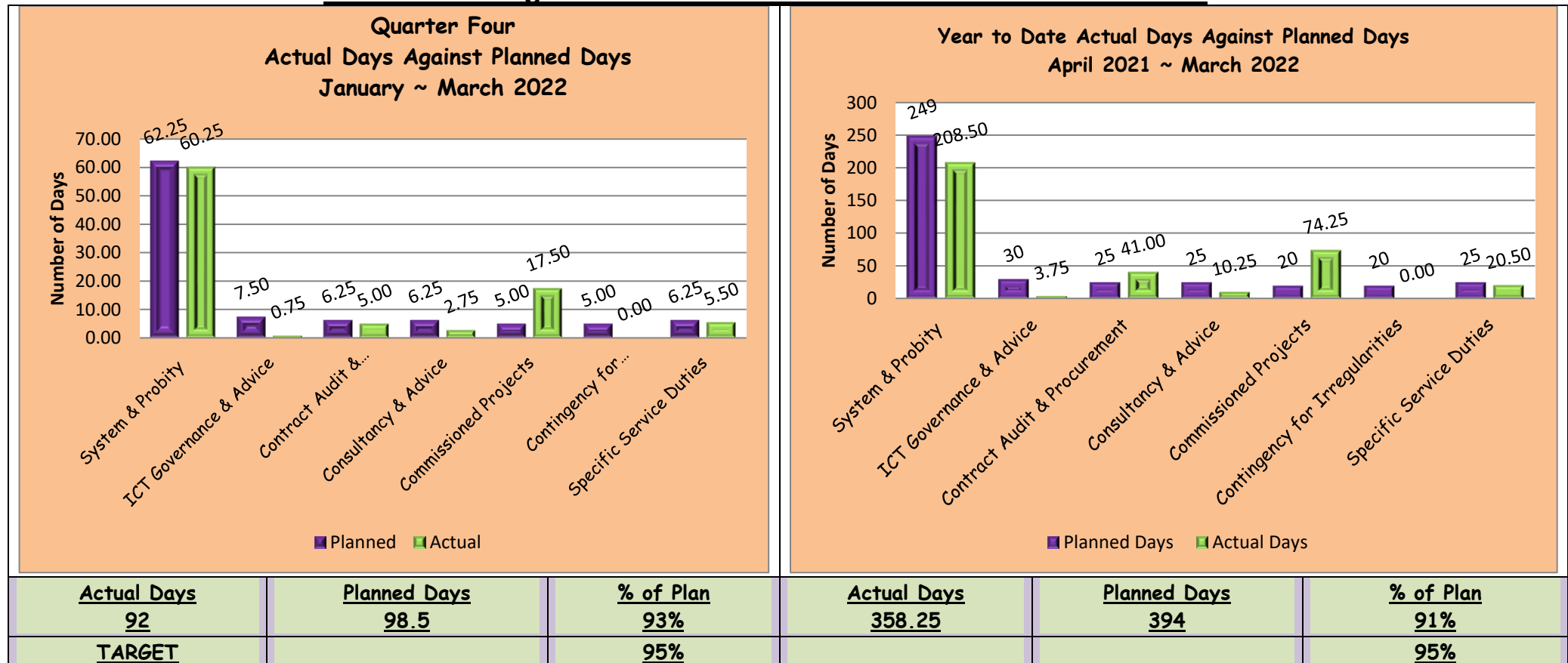
The following Action Plans have been issued to Managers. In addition, the table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2021~22 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31 st March 2022		Status	Action Plans/Progress Report			
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.22	DATE OF ISSUE Action Plan Q1	DATE OF ISSUE Action Plan Q2	DATE OF ISSUE Action Plan Q3	DATE OF COMPLETION OF FIELD WORK
RA40	Core Financial Systems (Annual Assurance Reviews)~ 2021~22 Annual Audit Plan Accounting Cash To Bank Bank Reconciliation	Stage 6	-	03.09.21	07.01.22	07.04.22 {FR}
RA57	Benefits {Inc Council Tax Discounts (Local Scheme)} Council Tax Reduction {Local Scheme} ~ Compliance	Stage 4	-	-	18.01.22	26.04.22
	Housing Benefit {Allowances}	Stage 4	-	-	-	12.04.22
	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 4	-	-	-	30.03.22
RA16	Council Tax Ctax Reconciliations ~ {To include Gross Debit 2021~22}	Stage 6	09.07.21 {FR}	N/A	N/A	N/A
	Ctax Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 6	-	-	-	29.04.22 {FR}
	Ctax Compliance/Recovery	Stage 6	-	-	22.11.21	11.04.22 {FR}
RA44	Creditors (Accounts Payable) Creditors {Accounts Payable} ~ Compliance	Stage 4	-	-	-	19.04.22
	Creditors {Accounts Payable} ~ Reconciliation	Stage 6	-	27.08.21	27.01.22	08.04.22 {FR}
RA51	Debtors (Accounts Receivable) Debtors {Accounts Receivable} ~ Compliance	Stage 4	-	-	-	20.04.22
	Debtors {Accounts Receivable} ~Reconciliations	Stage 6	-	13.08.21	01.02.22	29.04.22 {FR}
RA82	Establishment Establishment Reconciliation	Stage 2	-	-	-	-
	Establishment {Staff Record Forms}	Stage 2	-	-	-	-
RA21	National Non Domestic Rates NNDR ~ Reconciliations ~ {To include Gross Debit 2021~22}	Stage 6	09.07.21 {FR}	N/A	N/A	N/A
	NNDR ~ Reconciliations ~ {Valuation Office/Monthly Finance Control}	Stage 6	-	-	17.11.21	19.04.22 {FR}
	NNDR ~ Compliance	Stage 6	-	-	22.11.21	29.04.22 {FR}
RA51	Payroll (Including Mileage & Subsistence Claims) Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^	Stage 4	-	15.09.21	-	21.04.22
	^ Field Work includes Local Government Pension Scheme Pay Award					
	Payroll ~ Reconciliations {WFDC Accountancy Team} ~ Parameter	Stage 6	-	-	26.01.22	07.04.22 {FR}
RA32	Treasury Management {Strategy, Reporting & Reconciliations}	Stage 6	-	-	24.01.22 {FR}	-
KEY	Stage 1 ~ Field Work In Progress ~ {With Individual Auditor}					Stage 4 ~ Audit Complete ~ Reviewed {Audit Manager}
	Stage 2 ~ Phases 1 & 2 & 3 Field Work Complete for Peer Review					Stage 5 ~ Draft Report Issued
	Stage 3 ~ Phases 1 & 2 & 3 Field work Complete with Action Plans/Progress Report to Service Manager					Stage 6 ~ Final Report Issued {FR}

SECTION 5

Audit Resource Statistics

Performance Against Annual Plan For The Financial Year 2021~22



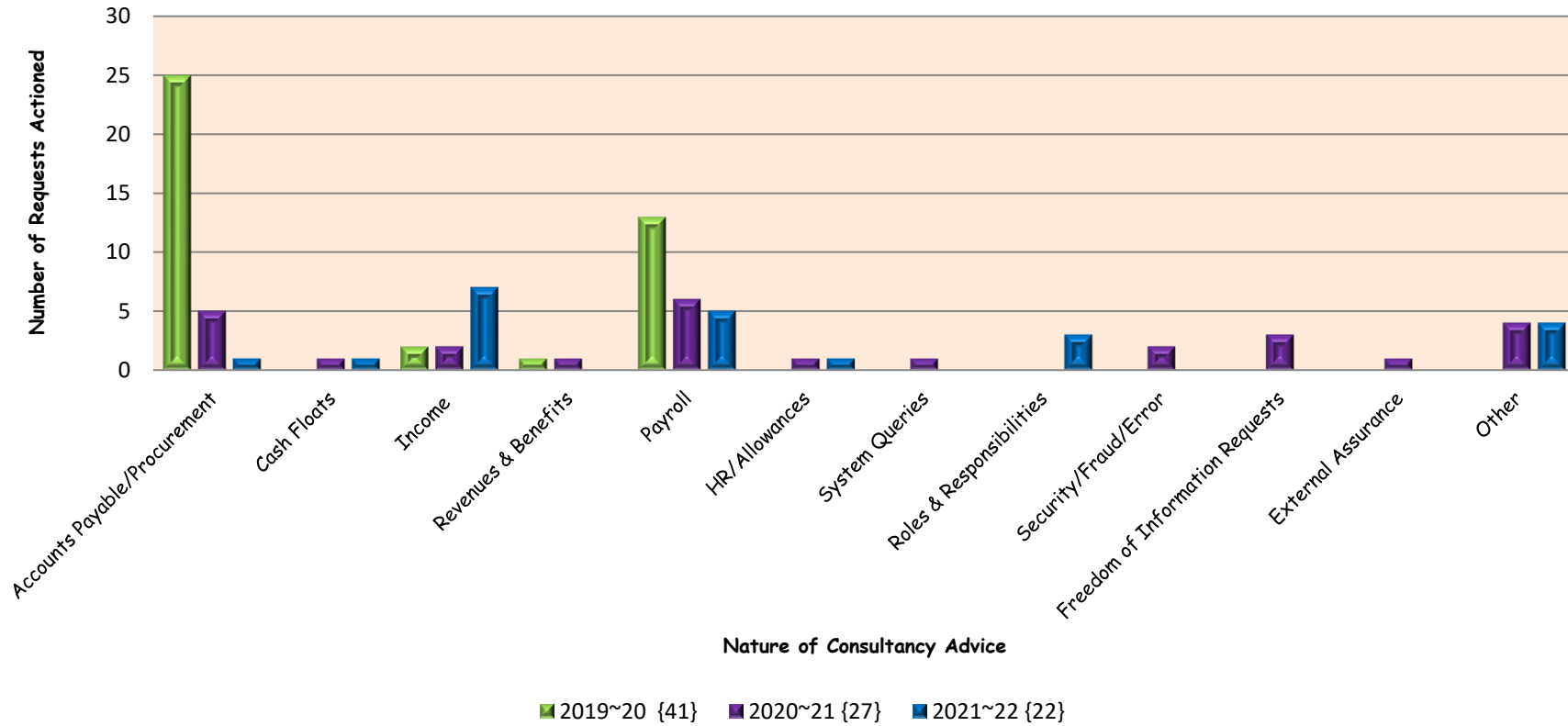
➤ For the quarter to 31st March 2022 actual against plan is 93 % compared to a target of 95%

Agenda Item No.8

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 Leadership Team with a short-term temporary contract to re-employ a retired member of the Internal Audit Team. The appointment of a temporary senior auditor 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. Whilst it has not been possible to work with the Worcestershire Internal Audit Shared Service, hosted by Worcester City as part of the 2021~22 Internal Audit Plan, the Internal Audit team are looking to progress work proposals with the Worcestershire Internal Audit Shared Service as part of the current transformation timetable for 2022~23.

Within the time allocated in the above table, during this fourth quarter of 2021~22 the Internal Audit Team have responded to **22** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **27** requests received and actioned for the same period in 2020~21 and the **41** requests received and actioned for the same period for 2019~20.

**Comparison of Audit Consultancy & Advice
Quarter 4 {January ~ March} - 2019/20 ~ 2020/21 ~ 2021/22**



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 of the completion of the 9 Industrial Units at Unity Park following the appointment of a new contractor to include the final payments to practical completion.

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 fraud. As part of the programme, additional data sets continued to be submitted to cover COVID-19 grant recipients.

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. During the fourth quarter, detailed post payment assurance checks were undertaken on the grant payments awarded in respect of the Omicron Hospitality and Leisure Grant schemes applicable to provide support to hospitality, leisure and accommodation businesses and dispersed to recipients by 31st March 2022.

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 which ceased as at 24th February 2022.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****25TH MAY 2022****Annual Governance Statement 2020-21 – Action Plan Update**

OPEN	
CABINET MEMBER:	Councillor M Rayner, Cabinet Member for Finance and Capital Portfolio
RESPONSIBLE OFFICER:	Helen Ogram, Head of Resources
CONTACT OFFICERS:	Head of Resource Helen.ogram@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Annual Governance Statement Action Plan 2020/21

1 PURPOSE OF REPORT

- 1.1 This report is to present the current position in relation to the action plan which was developed to address the issues identified within 2020-21.

2 RECOMMENDATION

- 2.1 **The Audit Committee is asked to note the progress against the Annual Governance Statement Action Plan 2020-21 which is attached at Appendix 1.**

3 BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 Full details on these requirements in relation to the Annual Governance Statement have been reported to the Audit Committee and are regularly refreshed as part of annual Member training. The Annual Governance Statement was presented and approved at the May 2021 meeting of the Audit Committee.
- 3.4 In determining the Annual Governance Statement the Council is required to take into account all relevant information including the following sources of evidence:

- Internal Audit reports;
- External Audit reports;
- Assurance provided by senior management;
- Corporate Risk Register;
- External Inspection findings including the Peer Review;
- Other relevant information.

3.5 Following consideration by the Corporate Leadership Team the Annual Governance Statement was approved by the Audit Committee at the meeting in May 2021.

4 KEY ISSUES

4.1 The Annual Governance Statement 2020-21 identified areas of Corporate Governance which needed to be addressed during 2021/22. An action plan was developed and is attached at Appendix 1, annotated with the progress that has been made during the year. This has been reviewed and agreed by the Corporate Leadership Team.

4.2 Members are requested to review and to note the current progress in relation to the delivery of the necessary improvements.

5 FINANCIAL IMPLICATIONS

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

6 LEGAL AND POLICY IMPLICATIONS

6.1 It is a requirement under the Accounts and Audit Regulations 2015 that the Council prepares an Annual Governance Statement and monitors actions arising from the content.

7 EQUALITY IMPACT NEEDS ASSESSMENT

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

8 RISK MANAGEMENT

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

9 CONCLUSION

9.1 The Council is required to complete an Annual Governance Statement which is required to:

- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement;
- Consider the robustness of the Authority's governance arrangements;
- Monitor any actions arising from the review of arrangements.

9.2 This report identifies the progress that has been made to date in relation to the Annual Governance Statement approved on 26th May 2021 and re-certified on the 24th September 2021.

10 CONSULTEES

10.1 Corporate Leadership Team.

10.2 Cabinet Member for Finance and Capital Portfolio.

11 BACKGROUND PAPERS

11.1 26th May 2021 and 24th September 2021– Annual Governance Statement 2020-21

11.2 Delivering Good Governance in Local Government CIPFA/SOLACE.

11.3 UK Public Sector Internal Audit Standards April 2016. {Refreshed 2017}

APPENDIX 1 - Significant Governance Issues for 2020-21

Wyre Forest District Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2020-21 Annual Governance Statement. The following significant governance issues were identified in the Annual Governance Statement 2020-21 Action Plan and further actions were put in place against each, in order to continue to strengthen the Council's governance arrangements. This final update on the action plan shows that many of the actions were completed.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1.	<p>General – Significant Financial Challenges</p> <p>- Continue to maintain financial resilience by progression of the approved programme of work to close the funding gap approved as part of the 2021-24 Medium Term Financial Strategy. To move towards a fully balanced budget, taking into account the challenges of the Covid-19 pandemic and also proposed Funding Reform, noting the impact of “Brexit” and global economy volatility.</p> <p>- Potential shortfall on the delivery of savings to meet the circa £2.7m Funding Gap by 2023-24.</p> <p>- Managing ongoing Covid-19 budget pressures in line with the Government RoadMap to Recovery.</p> <p>- Full Compliance with CIPFA introduced a new Financial Management Code with Compliance from April 2021, 2020-21 being a shadow year</p>	AGS 2019-20 as highlighted by the Corporate Leadership Team and reflected in MTFS	<p>a) Progressing implementation of agreed major initiatives and projects, such as reviews of alternative service delivery models and management review set out in the medium-term financial strategy for 2021-2024.</p> <p><i>Progress: Reviews have commenced in accordance with the timetable. There has been some success in developing partnership arrangements with public sector partners. Other reviews have now refocussed on reshaping internal delivery. Circa £600k p.a. savings have so far been identified.</i></p> <p><i>The Management review was implemented 1st January 2022; the following service reviews were completed by March 2022:</i></p> <ul style="list-style-type: none"> • Development Management • Private Sector Housing • Revenues, Benefits and Customer Services • Finance (tranche 1) • ICT (tranche 1) • Legal • Communications and Engagement Team <p>b) To continue to actively participate in and understand/model the impact of the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform.</p> <p><i>Progress: The Finance Settlement was a one year only settlement and Finance Reform has again been delayed, modelling will be undertaken when the shape of reform is known. The funding gap at the end of the MTFS has reduced by £1m</i></p>	<p>a) Alternative service delivery reviews to be undertaken in accordance with timetable set out in the MTFS, savings achieved to programme.</p> <p>b) Balanced Medium-Term Financial Strategy (MTFS) for 2022-25 with progression of proposals for significant savings/cost reductions to close the increased funding gap from 2021-22.</p> <p>Achieved</p>	<p>Corporate Director: Resources, Chief Executive, and whole Corporate Leadership team</p> <p>Cabinet/CLT</p>	<p>April 2021 to February 2022, Management review to be implemented by April 2022, Early work on response to Covid-19 specific plans to close Funding Gap after easing of the restrictions</p> <p><i>by January 2022</i></p> <p>Achieved</p>

	<p>General – Significant Financial Challenges (continued)</p> <p>- Full Compliance with CIPFA introduced a new Financial Management Code with Compliance from April 2021, 2020-21 being a shadow year</p>	<p>AGS 2019-20 as highlighted by the Corporate Leadership Team and reflected in MTFS</p>	<p>c) To re-energise work around income generation, commercialisation and expenditure reductions post pandemic. Further develop and evolve the Financial Strategy to include: -potential for large scale service redesign, alternative delivery and service providers, digitalisation and demand management.</p> <p>Progress: The MTFS for 2022-25 approved Council 23rd February. Service redesign, demand management and digitalisation in progress. Work around income generation and commercialism slowed down in 2021-22 due to diversion of resources due to the pandemic. In year WFF target reassessed with revised target expected to be met; localism target on track to be achieved.</p> <p>d) To continue with the Localism agenda to meet target savings in MTFS Progress: Prospective Trustees identified, application submitted to Charity Commission, go live date now expected in late 2022; various transfers of assets to Bewdley and Stourport town councils completed in year and localism target on track to being achieved.</p> <p>e) To progress actions as set out in the Report to Audit Committee on May 26th – most are around continuous improvement. These include the implementation of Budget Planner Progress: Actions progressed as outlined with improvements to the timeliness of financial reporting scheduled for 2022-23</p>	<p>c) Cabinet/CLT to manage process of rebuilding income streams Largely Achieved (in respect of car parking in Bewdley and Stourport; monthly leisure income from open book accounting approximately on par with pre pandemic management fee and agreement reached to reinstate in full from April 2022.)</p> <p>d) Successful creation of independent Bewdley Museum Trust; undertake negotiations with parish councils during 2021. Commence second round of negotiations with town councils. Largely achieved.</p> <p>e) Improved compliance with FM Code including Improved more timely reporting – evidenced in Audit Ctte report</p>	<p>CLT/Cabinet</p> <p>CLT/S151 and Financial Services Manager</p>	<p>As set out in Localism timetable</p> <p>By March 2022 – Audit Ctte report</p> <p>May 2022</p>
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Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
2	Covid-19 – Recovery Management of the recovery from impact of the Covid-19 impact on delivery operational services and also support services to ensure the Council continues to best meet business need.	Covid-19 Emergency	<p>Recovery Plan – reversion to the “new normal”. Reports to Cabinet/Council The Council is working closely with central government and the health service to support businesses and residents across the district including:</p> <ul style="list-style-type: none"> Supporting businesses - Rate relief coupled with grants for businesses in the retail, hospitality, or leisure sector Discretionary Grant Schemes Hardship Fund <p>Progress: Business grant payments have been made to eligible businesses. The reconciliation and post payment assurance process has been completed for most grant schemes, Additional Restrictions Grant and Omicron Hospitality and Leisure Grants which closed on 31st March 2022 being progressed.</p> <p>Retail, Hospitality & Leisure Relief has been applied for 2022/23 and the Covid19 Additional Relief Fund for businesses not eligible for other relief schemes is in progress. Test and Trace Support Payment Scheme has now ended.</p> <ul style="list-style-type: none"> Supporting residents – the Council is working with partners to proactively support rough sleepers. Residents who have serious underlying health conditions have been identified and there are processes in place to support this highly vulnerable group. <p>Progress: The Council continues to work with rough sleepers and those at risk of rough sleeping to ensure they are offered accommodation through the protect and vaccinate programme which comes to an end on 31/03/2022. We have also supported homeless households to take up offers of vaccination and provided covid safe accommodation to homeless households with Covid needing to self-isolate.</p>	<p>Continuity of high standards of council services to the community Achieved</p> <p>Equitable distribution of government funding Achieved through implementing government schemes and discretionary policies</p>	<p>CLT/Cabinet /WF20/Service Managers</p> <p>Revenues, Benefits and Customer Services Manager</p>	<p>Dependent on progression of Roadmap for easing of lockdown – within 6 months of end of restrictions. Report to July Council Within MHCLG timescales</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<ul style="list-style-type: none"> • Volunteering opportunities – an interactive map on the Council website provides details of local organisations that are assisting residents through COVID-19, the kinds of support they offer, and how to get in touch • Implementation of hybrid working across the workforce currently homeworking <p>Progress: Effective hybrid working successfully introduced in late summer 2021 freeing up office space to allow for increased income generation/facilitate further options for Council buildings. Further Covid restrictions in winter 2021 led to hybrid working being suspended but it was reintroduced in February 2022.</p> <p>The data collection exercise to inform the business case for building options is currently live.</p>	<p>Effective hybrid working, freeing up of office space to allow for increased income generation/facilitate further options for Council buildings</p> <p>Achieved: Effective hybrid working successfully introduced</p>	<p>Corporate Director: EPP</p>	<p>Hybrid working by Summer 2021 Business case for building options – during 2021-22</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
3	Governance of Property and Loan Portfolios to further progress the implementation of the policies for the Development Loans Fund of £10m and Capital Portfolio Fund of £26.5m. To continue to clarify with the wider public that the intended impact of these £36.5million policies is to support the Financial Strategy and the Corporate Plan priority to deliver a successful local economy rather than commercial investment particularly in light of pandemic impacts on property markets.	AGS 2017-18 MTFS 2019-22, endor sed by Peer Review	<p>a) Continue to implement revised Capital Portfolio Fund Strategy as approved at February 2020 Council by making proposals for suitable investment opportunities and secure approval and implementation/acquisitions. Take action to protect income streams against the pandemic impacts. <i>Progress update: No further acquisitions in 2020-21, approval to increase allocation to housing development in Kidderminster. Change of policy for geography of purchase relaxed to include areas of the Black Country and Wolverhampton where there is a strong evidential case that the acquisition proposal supports economic development and regeneration within the district approved February Council. Where the acquisition or opportunity is consistent with the revised CIPFA Prudential and Treasury Management Codes published December 2021.</i></p> <p>b) Continue to work with Finance Birmingham to source suitable further loan applicants and progress loan approvals. <i>Progress update: First loan paid out and repaid in full during the year. Due to no further suitable applicants approval was granted at Council in February to formally close the scheme.</i></p> <p>c) To work with the communications team to reinforce intended impact.</p>	<p>a) Implementation of approved proposals/acquisition of portfolio assets that secure net income streams as revised in approved budget</p> <p>b) Loans approved where appropriate and robust corporate value for money and due diligence procedures are satisfied Achieved</p> <p>c) Less negative social media comment Achieved</p>	CLT - Corporate Director: Economic Prosperity and Place, Corporate Director: Resources, Solicitor to the Council	<p>a) Portfolio budget fully spent by end March 2022</p> <p>b) By end 2022</p> <p>c) By end of 2021-22</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	<p>Information governance issues and non-benefit fraud</p> <p>-utilising the Compliance Officer and Corporate Fraud Resource and separate Corporate Debt Recovery resources. Performance and impact of these resources to continue to be closely monitored and reported once the temporary “pause” as an impact of the pandemic passes.</p>	Annual Governance Statement 2018-19	<p>a) Cyber Security and Information Governance Sub-Group (of the ICT Strategy Board) to continue to meet regularly to progress actions Progress – the combined Cyber Security and Information Governance Subgroup continues to meet regularly and is working well promoting awareness around cyber security/data protection and managing corporate training programmes</p> <p>b) Compliance Officers within the Revenues & Benefits Section in post since March 2015. They are responsible for protecting and increasing the tax base through regular monitoring and reviewing council tax discounts and exemptions to ensure they are legitimately claimed. Additional work on potential fraud in relation to grant payments/claims in relation to Covid-19 will also be undertaken supported by Internal Audit in line with national guidance. To review the decision last year to invest in more staff for council tax and business rates recovery jointly funded by Worcestershire County Council to maximise Council Tax Income. Progress: The compliance work within the Revenues and Benefits team continues but was impacted throughout 2021-22 as resources were diverted to cover the on-going COVID 19 funding support</p> <p>c) Regular reports activity in relation to Corporate Fraud (responsibility assigned to Internal Audit Team). These will include results of extra compliance work in relation to assurance on Covid-19 payments. Progress report: During 2021-22 internal audit continued to undertake additional post payment assurance work on all government funded COVID 19 support payments.</p>	<p>a) Information Governance is well managed with no breaches Achieved: no cyber incidents, some minor breaches of data protection</p> <p>b) Income collected in terms of £s and % recovery rates Achieved (15,191 cases investigated, £133,696 identified as fraud or error)</p> <p>c) Annual report to Audit Committee will assess success of Corporate Fraud service Achieved – Annual Report presented to Audit Committee in November 2021.</p>	<p>Chief Executive, Corporate Director: Resources Revenues, Benefits & Customer Services Manager</p> <p>c) Corporate Director: Resources/ Audit Manager</p>	<p>a) Ongoing consideration via Information Governance Sub-Group</p> <p>b) Monthly reporting of collections rates/amounts and half-yearly review of impact of extra resource for collection</p> <p>c) September Audit Committee for Fraud Update report</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of	Lead/s	Timescale
5	<p>Partnership and Engagement Governance issues Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may sign up to as part of its pursuit of innovative alternative service delivery solutions to unlock funding opportunities and generate revenue income streams. This includes Public Sector Partnership Wyre Forest LLP set up on the 22nd March 2017 and the approved Group structure for a Local Authority Trading Company (LATC), localism, joint operations and potentially devolution and combined authorities.</p> <p>Progression of the delivery of Future High Streets Fund project in partnership with a number of private sector partners and the MHCLG utilising the £20.5m external funding.</p>	<p>Annual Governance Statement 2018-19</p> <p>Corporate Risk Register</p>	<p>a) Ensure new partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust Progress: No new partnering arrangements implemented in the year. Service contract entered into with West Mercia Police for procurement support.</p> <p>b) Ensure arrangements for traded services and arms-length organisations are fit for purpose No new arrangements implemented in the year</p> <p>c) Progress work with PSP Wyre Forest LLP by progressing suitable project development and allocating further sites/projects within the district for this new partnership arrangement to explore Progress: Work with PSP continues although under a different delivery model. Planning committee refused permission summer 2020 for the initial temporary accommodation proposal; revised proposal being progressed at alternative site.</p> <p>d) Further investigation of various structures for different arrangements, including utilisation and or expansion of the Group Structure of the approved LATC Progress: LATC still dormant</p> <p>e) Project Board meets regularly and progresses in line with agreed timeline Progress: Planning permission secured for former magistrates' court. Acquisition of other properties achieved and procurement for design and delivery progressing</p>	<p>a)/b) Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet</p> <p>c) That work with PSP Wyre Forest LLP delivers some tangible outcomes and progresses the first approved development for temporary accommodation</p> <p>d) Reports prepared for proposals for alternative service delivery models</p> <p>e) Progress to timetable, Government Office satisfied with progress Action achieved</p>	<p>CLT – Corporate Director of Economic Prosperity and Place, author of Property LATC report, designated officers for PSP</p> <p>e) Corporate Director: EPP and Head of Economic Development Regeneration - North Worcs</p>	<p>a)/b) Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2021-22</p> <p>c) PSP deliver first approved development and utilised further during 2021-22</p> <p>d) LATC Group Structure utilised as appropriate</p> <p>e) 2024</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6	<p>ICT Resilience Governance Issues</p> <p>Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats.</p> <p>Progression of ICT Strategy Capital Allocation of £1.757m plus further allocation of £653k GDPR –compliance Additional assurance for increased homeworking and remote meetings</p>	<p>Corporate Risk Register and ICT Strategy Board; ICT Security {Sub-Group}</p> <p>MTFS 2021-2024</p> <p>GDPR Legislation - effective date 25th May 2018</p> <p>Covid-19</p>	<p>a) Quarterly review of network security and cyber resilience; extra assurance/training for remote working/meetings Progress update: Cyber security maintained including PSN accreditation</p> <p>b) ICT Strategy Board approvals</p> <p>c) Review of compliance by Cyber Security and Information Governance Sub-Group (of the ICT Strategy Board) to meet and support ICT Strategy Board; focus on cyber security business continuity plans and overall cyber security strategy.</p> <p>d) Risk assessments and review of security of hybrid working arrangements</p> <p>e) Monthly phishing and regular cyber training</p> <p>f) on-going improvement to infrastructure and system updates including patching, firmware updates etc.</p> <p>g) annual penetration tests</p>	<p>a) PSN compliance, secure network; Achieved for 2021-22</p> <p>b) Work proceeds to timetable Achieved</p> <p>c) Review evidenced compliance Achieved</p> <p>d) Compliant risk assessments Achieved</p> <p>e, f and g) Cyber essentials accreditation Achieved</p>	<p>ICT Manager/ Corporate Director: Resources</p> <p>Data Controller</p> <p>ICT Manager</p> <p>ICT Manager</p>	<p>Ongoing reports to ICT Strategy Board, and Cyber Security and Information Governance Sub- Group, Cabinet Members and Group Leaders</p> <p>Initial assurance work by end October 2021, ongoing risk assessments By February 2022</p>

Ref	Governance	Source	Actions to address the issue	Measures of	Lead/s	Timescale
7	Adoption of Local Plan	Corporate Risk Register	<p>Ensure timely consultation on significant amendments required following the inspector's report.</p> <p>Progress update: The plan was submitted in April 2020 with the Inspector's hearings held in January and February 2021. Consultation took place on major modifications in autumn 2021. The inspector's final report was received March 2022. A special Council meeting was arranged for 26th April 2022 where the plan was formally adopted</p>	<p>Formal adoption by full council</p> <p>Achieved</p>	Corporate Director: EPP	February 2022

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
WEDNESDAY 25th MAY 2022

ANNUAL GOVERNANCE STATEMENT

CABINET MEMBER	Councillor Mary Rayner, Cabinet Member for Finance and Capital Portfolio
RESPONSIBLE OFFICER	Head of Resources helen.ogram@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Annual Governance Statement 2021/22

1. PURPOSE OF REPORT

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

2. RECOMMENDATION

- 2.1 **The Audit Committee is asked to approve:**

The Annual Governance Statement attached at Appendix 1.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The Annual Governance Statement for 2021-22 is attached at Appendix 1 and has been developed based on the requirements of the regulations and the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 The Audit Committee approved the adoption of the CIPFA/SOLACE code at the meeting on the 17 March 2008 and the subsequent annual reviews on the implementation, the latest one being 25th March 2020 with a full review of compliance 26th May 2021
- 3.4 For the 2021/22 Annual Governance Statement it is proposed to use existing processes in relation to the review of the control system, collation of information and compilation and monitoring of the Annual Governance Statement.

4. KEY ISSUES

- 4.1 In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:
- Internal Audit reports, and the annual assurance report from the Audit Manager, endorsed by the S151 Officer,
 - External Audit reports;
 - Assurance provided by senior management;
 - Corporate Risk Register;
 - External Inspection findings;
 - Other relevant information, particularly in relation to the COVID-19 Pandemic.
- 4.3 CIPFA issued a Financial Management Code (FM Code) in 2019 which provides guidance for good and sustainable financial management in local authorities. Compliance with the code provides additional assurance that authorities are managing resources effectively. The first full year of compliance is 2021/22.
- 4.4 The draft Annual Governance Statement is presented to the Audit Committee for approval, prior to the signing by the Chief Executive and the Leader of the Council.
- 4.5 The draft Annual Governance Statement for 2021/22 is shown at Appendix 1; this document has been prepared in line with the CIPFA/SOLACE guidance.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications relating to this report. The governance framework includes several financial elements, including the Council's Financial Regulations, the budget strategy and the Treasury Management Strategy. These provide the financial parameters, systems, processes and guidelines within which the Council must operate and, as such, assist in the delivery of good governance. Strong financial management also supports the delivery of value for money in ensuring economy, efficiency and effectiveness in the Council's decision making and processes.

6. LEGAL & POLICY IMPLICATIONS

- 6.1 It is a requirement under the Accounts and Audit Regulations 2015 that the Council prepares an Annual Governance Statement. Regulation 6 of these Regulations sets out that the authority must undertake a review of the effectiveness of its internal control systems on an annual basis and prepare an annual governance statement. The annual governance statement must be approved in advance of the annual statement of account.

7. RISK MANAGEMENT

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

8. CONCLUSION

8.1 The Council is required to complete an Annual Governance Statement which is required to:

- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement
- Consider the robustness of the Authority's governance arrangements
- Monitor any actions arising from the review of arrangements.

8.2 The statement is submitted to the Audit Committee for approval on 25th May 2022. This will be reviewed by Grant Thornton as part of the external audit process and any revisions reported to September Audit Committee.

9. CONSULTEES

9.1 Corporate Leadership Team

9.2 Leader of the Council and the Cabinet Member for Finance and Capital Portfolio

9.3 Internal audit

10. BACKGROUND PAPERS

10.1 Accounts and Audit Regulations 2015 (SI No.234)

10.2 Delivering Good Governance in Local Government CIPFA/SOLACE.

10.3 UK Public Sector Internal Audit Standards April 2013 (Updated 2017)

10.4 Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

10.5 CIPFA Financial Management Code

10.6 Guidance - CIPFA Bulletin 06 and 10

10.7 National Audit Office Code of Practice April 2020

10.8 SI 263 The Accounts and Audit (Amendment) Regulations 2021

ANNUAL GOVERNANCE STATEMENT 2021-22

Why have we prepared this Annual Governance Statement (AGS) 2021-22?

- To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once a year in each financial year.
- To demonstrate whether, and to what extent, the council has a sound system of governance and has complied with its local requirements in 2021-22
- To demonstrate our achievements and help us to be more effective and take action to improve

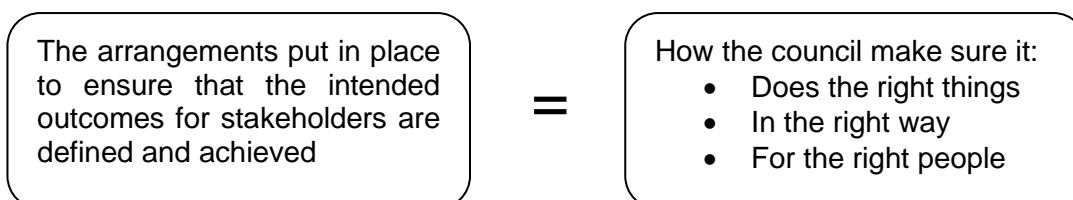
What is the Annual Governance Statement?

Legislation requires local authorities to prepare and publish an Annual Governance Statement, in order to report publicly on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review of the effectiveness of Wyre Forest District Council's governance framework for 2021-22 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas over the coming year.

What do we mean by governance?

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

This is summarised visually below:



What is the Scope of our responsibility?

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

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

Wyre Forest District Council has adopted the code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework; *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.wyreforestdc.gov.uk or can be obtained


by contacting The Hub, Green Street, Kidderminster DY10 1HA. This statement explains how Wyre Forest District Council has complied with the code and also meets the requirements of the

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

What is the definition of the governance framework?

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

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

GOVERNANCE PRINCIPLES		INTERNAL CONTROLS
<ul style="list-style-type: none"> ➤ Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area ➤ Members and officers working together to achieve a common purpose with clearly defined functions and roles ➤ Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour ➤ Taking informed and transparent decisions which are subject to effective scrutiny and managing risk ➤ Developing the capacity and capability of members and officers to be effective ➤ Engage with local people and other stakeholders to ensure robust public accountability 	<div style="text-align: center;">  <p>The governance framework has been in place at Wyre Forest District Council for the year ended 31st March 2022 and up to the date of approval of the statement of accounts.</p> </div>	<p>INTERNAL CONTROLS</p> <p>Leadership, Culture and Planning Organisational goals and priorities Strategic and operational plans Performance management Medium term financial strategy</p> <p>Statutory Officers & Decision Making The Constitution The Monitoring Officer Section 151 Officer</p> <p>Policies & Procedures Codes of conduct Ways of working Anti-fraud, Bribery and Corruption Policy Whistleblowing Policy HR Policies and procedures Corporate Communications and Engagement Programme</p> <p>People, Knowledge, Finance, Assets Robust HR practices Robust Internal Audit function Information governance Performance monitoring and improvement Financial management and reporting Ethical & legal practices</p> <p>Scrutiny and Transparency Freedom of Information requests Complaints procedure Reports considered by legal and finance Overview and Scrutiny Committee Equality impact assessments Corporate risk register Transparency duty publication</p> <p>Partnership Working/Stakeholder Engagement ‘Love to get involved’ ‘Let us know’ Consultations Community Localism fund</p>

How does the Council deliver these outcomes?

The Council delivers these outcomes through:

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

How is effectiveness reviewed?

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

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

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;
- Findings and recommendations by the External Auditors and other review agencies and inspectorates;
- Audit Committee review of current arrangements against best practice, including consideration of progress against issues identified in the Annual Governance Statement action plan.

Regular reviews are carried out by the Corporate Leadership Team, including during March and again in April 2022. These reviews take into account:

- the Internal Audit Annual Assurance report from the Audit Manager, in consultation with the S151 Officer;
- comments of other review agencies, inspectorates and external bodies, including LGA Peer Review;
- the Audit Findings report of the External Auditor which was reported to the Audit Committee on 29th September 2021 and the Annual Audit Report reported at item 3 on this Committee agenda (25th May 2022).
- The legacy impact of the Covid-19 pandemic, potential impacts on key aspects of Governance including hybrid working and remote meetings, and the revised External Audit approach to take account of this.

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

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

The constitution is under constant review, to ensure that it remains fit for purpose. A review of the governance arrangements was undertaken and reported to Council on the 26th February 2020. No change was approved, so the Cabinet and Scrutiny Systems remain.

http://www.wyreforest.gov.uk/council/docs/doc55603_20200226_council_agenda.pdf

Membership of the Audit Committee has included an Independent Person since 2019-20. May 2019 Council approved a number of minor governance amendments including the creation of a Strategic Review Panel that has operated since 2019-20. The Panel performed an advisory role on a range of issues including policy development on the latest Corporate Plan. It also considered the Cabinet's proposals for the Medium-Term Financial Strategy for 2022-2025 and budget options, to inform the Cabinet's proposed strategy and budget and for the meetings in January and February 2022 in respect of any alternative budget proposals.

The Audit Committee is the Member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters. The Audit Committee also regularly considers the recommendations from Internal Audit. A review of progress against the Corporate Risk Register was considered by the Committee on the 23rd March 2022. Progress against the 2020-21 Annual Governance Action plan is reported for consideration by Committee at item 9. Progress against the External Auditor's improvement recommendations included in the Annual Audit Report will be considered by Committee in the Autumn. The extended membership of the Audit Committee to include an Independent Person as a non-voting member provides an external view and brings an alternative perspective and flavour to the Committee.

The impact of Covid-19

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

http://www.wyreforest.gov.uk/council/docs/doc55769_20200421_extraordinarycouncil_agenda.pdf

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

http://www.wyreforest.gov.uk/council/docs/doc56566_20210421_extraordinarycouncil_agenda.pdf

Face to face formal meetings of the Council's decision-making bodies recommenced following the end of the temporary change, with hybrid arrangements continuing for observers. Informal meetings continue to be held remotely where this arrangement best meets business need.

The Covid-19 pandemic has had a significant impact on the Council in terms of financial sustainability and workload of key service delivery teams. To address this, the 2021-24 MTFS included a fundamental programme of work to explore and implement more shared services, alternative service delivery options and other planned transformation which will lead to the Council becoming a smaller organisation. This work stream is progressing with in the region of £600k of recurring annual savings having been identified to date.

The CIPFA Financial Management Code

In December 2019, CIPFA published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management. 2020-21 was a shadow year for the FM Code and with April 2021 being the date for formal adoption. The initial report assessing compliance with the FM Code was considered by Audit Committee on the 26th May 2021 a further report will be presented to Audit Committee in July 2022. The initial report concluded that, overall, there is a high level of compliance with the code but that in some areas there is room for continuous improvement. **The significant areas for continuous improvement are included in the AGS Action Plan that follows.**

Summary

The Council's Head of Resources as Chief Financial Officer has overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all Council systems and produce reports containing recommendations for improvement wherever necessary, in line with the 2021-22 Annual Audit Plan.

The Council's Internal Audit team works in accordance with the UK Public Sector Internal Audit Standards. The service has also adopted an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards that was updated at the July 2018 Audit Committee meeting. A number of other internal and external reports considered the challenges around governance, including the CIPFA delivering good governance in Local Government framework 2016 reports to ensure all appropriate controls and updates are in place across the Council discussed at the March 2017 meeting. Audit Committee on the 30th May 2018 received a report on the external assessment of the Internal Audit Service undertaken by Tilia Solutions. The review was positive overall, with no areas of non-compliance with the Standards found that would affect the operation of the Internal Audit function. Recommendations/action points made have been progressed by the Audit Manager. Audit Committee on the 28th November 2018 approved a Quality Assurance Improvement Programme for the Internal Audit Service to enable an evaluation of the Internal Audit Service and its conformance to the standards, with an annual update to the Audit Committee as part of the annual report. The Internal Audit Plan 2021-22 approved at the March 2021 meeting also took into account the external review recommendations. An update on counter fraud arrangements for 2021-22 was also received at the November 2021 meeting providing members with detail on those areas managed by both the Compliance Officers and Internal Audit, evidenced by supporting national programmes for tackling fraud.

External audit reports are reviewed and considered by the Audit Committee and the Council's Corporate Leadership Team. The Council's External Auditors, Grant Thornton take a proactive approach to Member involvement and actively engage Members at Audit Committee with their Update Reports being of particular interest. In addition to this, the Council is also subject to formal review by government inspectorates and was the subject of an LGA Peer Review in March 2017 that considered financial planning and viability in detail. Feedback from this independent process was positive and the constructive key recommendations to the Council informed the 2016-17 and 2017-18 Annual Governance Statements with ongoing issues around continuous improvement included in the 2021-22 Action Plan. The follow-up Peer Review visit took place in February 2019 and once again, feedback was very positive overall with relevant action learning points reflected in the 2020-21 and this 2021-22 Annual Governance Statement.

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

The key areas for improvement to be specifically addressed with action plans are outlined below.

Significant Governance Issues for 2021-22 and 2022-23 Action Plan

Wyre Forest District Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2020-21 Annual Governance Statement. The following significant new or continuing governance issues have been identified and further actions have been put in place against each for progression in 2022-23, to continue to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	<p>General – Significant Financial Challenges</p> <p>The Council continues to face significant funding pressures and changes to the national funding regime. In response we will continue to maintain financial resilience by:</p> <p>i) Moving towards a fully balanced budget without reliance on reserves.</p> <p>ii) Progression of the programme of work to close the funding gap approved as part of the 2021-24 Medium Term Financial Strategy.</p> <p>The challenges faced in achieving this include proposed funding reform, cost and supply chain issues caused by geopolitical issues, global economic volatility and recovery post Covid-19 pandemic.</p> <p>The consequence is a potential shortfall on the delivery of savings to meet the circa £1.7m Funding Gap by 2024-25.</p>	<p>AGS 2019-20, 2020-21 and 2021-22 highlighted by the Corporate Leadership Team and reflected in the MTFS and Corporate risk register</p>	<p>The Medium Term Financial Strategy (MTFS) reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. The council set a budget in February 2022 outlining the strategic direction towards achieving on-going savings:</p> <p>a) Progressing implementation of agreed major initiatives and projects, such as reviews of alternative service delivery models and management review set out in the medium-term financial strategy for 2021-2024.</p> <p>b) To continue to actively participate in and understand/model the impact of the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform.</p> <p>c) To re-energise work around income generation, commercialisation and expenditure reductions post pandemic. Further develop and evolve the Financial Strategy to include: -potential for large scale service redesign, alternative delivery and service providers, digitalisation and demand management.</p> <p>d) To continue with the Localism agenda to meet target savings in MTFS</p>	<p>a) All remaining service delivery reviews to be undertaken with target savings achieved.</p> <p>b) Balanced Budget for 2023-24 included in the MTFS 2023-26 with progression of proposals for significant savings/cost reductions to close the funding gap from 2024-25.</p> <p>c) Cabinet/CLT to manage process of rebuilding income streams</p> <p>d) Successful creation of independent Bewdley Museum Trust; continue negotiations with parish councils during 2022. Conclude second round negotiations with town councils.</p>	<p>Head of Resources, Chief Executive, and whole of CLT</p> <p>Cabinet/CLT</p> <p>CLT/Cabinet</p> <p>Chief Executive</p>	<p>April 2021 to March 2023,</p> <p>January 2023</p> <p>December 2022</p> <p>As set out in Localism timetable</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
2	<p>Governance of Property Portfolio to further progress the implementation of the policies for the £26.5m Fund. To continue to clarify with the wider public that the intended impact of the policy is to deliver corporate service objectives under the Corporate Plan priority to deliver a successful local economy. whilst supporting the Financial Strategy.</p> <p>The 2021 CIPFA Prudential and Treasury Management codes set out that the CFR cannot be increased for commercial purposes and acquisitions cannot be based primarily for a financial return</p>	<p>AGS 2017-18 MTFS 2019-22, endorsed by Peer Review, corporate risk register</p>	<p>a) Continue to implement revised Capital Portfolio Fund Strategy as approved at February 2022 Council by making proposals for suitable investment opportunities and secure approval and implementation/acquisitions.</p> <p>b) Review and strengthen the due diligence check list.</p> <p>c) To work with the communications team to reinforce intended impact.</p> <p>d) Update the business case model to increase the evidence requirement for the economic argument and expand the financial case to more fully cover whether capital plans and risks are proportionate i.e., any plausible losses can be absorbed within existing budgets or reserves.</p>	<p>a) Implementation of approved proposals/acquisition of portfolio assets that further the Corporate plan priorities, meet service objectives and secure net income streams in accordance with the approved strategy.</p> <p>b) Revised checklist to be approved with the Capital Strategy 2023-33</p> <p>c) Less negative social media comment</p> <p>d) Business case reports on potential acquisitions follow revised template</p>	<p>CLT -Head of NWEDR, Head of: Resources, Solicitor to the Council</p>	<p>a) Portfolio budget fully committed by end March 2023</p> <p>b) By end 2022</p> <p>c) On-going</p> <p>d) April 2022</p>

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

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	<p>Partnership and Engagement Governance issues Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may sign up to as part of its pursuit of innovative alternative service delivery solutions to unlock funding opportunities and generate revenue income streams. This includes Public Sector Partnership Wyre Forest LLP, the approved Group structure for a Local Authority Trading Company (LATC), localism, joint operations (e.g. joint waste service for northern districts and County wide food waste collaboration) other new shared service arrangements and new and existing Trusts (museum and leisure service provision).</p>	Annual Governance Statement 2018-19	<p>a) Ensure new partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust.</p> <p>b) Ensure arrangements for traded services and arms-length organisations are fit for purpose</p> <p>c) Conclude review work of PSP Wyre Forest LLP to ascertain whether the model is still fit for purpose.</p> <p>d) Further investigation of various structures for different arrangements, including utilisation and or expansion of the Group Structure of the approved LATC.</p> <p>e) Continue to shape direction of work on joint operation of waste collection services to maximise influence and ensure adequacy of proposed governance arrangements. Business case to include governance arrangements considered by Overview and Scrutiny Committee and Cabinet.</p>	<p>a)/b) Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet</p> <p>c) That work with PSP Wyre Forest LLP either delivers some tangible outcomes or is filed as dormant.</p> <p>d) Reports prepared for proposals for alternative service delivery models</p> <p>e) Comprehensive business case prepared and presented for consideration by Overview and Scrutiny Committee and Cabinet</p>	CLT – Head of NWEDR and Head of Strategic Growth designated officers for PSP, Head of Community and Environmental Services	<p>a)/b) Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2022-23</p> <p>c) PSP LLP utilised as appropriate in 2022-23 or filed as dormant.</p> <p>d&e) March 2023 or as appropriate</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	<p>ICT Resilience Governance Issues</p> <p>Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats.</p> <p>Progression of ICT Strategy GDPR – compliance to include additional assurance for hybrid working</p>	<p>Corporate Risk Register and ICT Strategy Board; ICT Security {Sub-Group}</p> <p>MTFS 2021-2024</p> <p>GDPR Legislation - effective date 25th May 2018</p>	<p>a) Quarterly review of network security and cyber resilience; extra assurance/training for remote working/meetings</p> <p>b) ICT Strategy Board approvals</p> <p>c) Review of compliance by Cyber Security and Information Governance Sub-Group (of the ICT Strategy Board) to meet and support ICT Strategy Board; focus on cyber security business continuity plans and overall cyber security strategy.</p> <p>d) Risk assessments and review of security of hybrid working arrangements built into assurance programme</p> <p>e) Monthly phishing and regular cyber training</p> <p>f) on-going improvement to infrastructure and system updates including patching, firmware updates.</p> <p>g) annual penetration tests</p> <p>h) additional 2 factor authentication and cloud back-up for o365</p>	<p>a) PSN compliance, secure network.</p> <p>b) Work proceeds to timetable</p> <p>c) Review evidenced compliance</p> <p>d) Compliant risk assessments</p> <p>e, f g and h) Cyber essentials accreditation</p>	<p>ICT Manager/ Head of Resources</p> <p>Data Controller</p> <p>ICT Manager</p> <p>ICT Manager</p>	<p>Ongoing reports to ICT Strategy Board, and Cyber Security and Information Governance Sub- Group, Cabinet Members and Group Leaders</p> <p>Ongoing risk assessments</p> <p>Summer 2022</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
6.	<p>Major grant funded schemes and Developments – the Council successfully bid for grant funding to support regeneration under the Future High Street Fund (FHSF) and Levelling up Fund (LUF). New governance arrangements are being developed to ensure oversight of each of these major schemes. This will include separate project boards chaired by the Head of NWEDR and be attended by the S151 Officer and Monitoring Officer. The boards will receive regular updates on all projects managed through the project delivery boards and will have responsibility for approving project variations. The boards will provide transparent governance arrangements to ensure that projects are run appropriately with vigour ensuring funding and statutory obligations are met</p>	<p>Annual Governance Statement 2021-22</p> <p>Corporate Risk Register</p>	<p>Project Boards meets regularly and in line with agreed timeline</p> <p>Grant funding agreements in place with LUF partners</p>	<p>Progress to timetable, Government Office satisfied with progress</p> <p>Monthly progress reports presented to the Boards and grant draw down meets assurance requirements</p>	<p>CLT -Head of NWEDR, Head of: Resources, Solicitor to the Council</p>	<p>2024</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
7.	Major Capital Projects - The Council has a number of major capital projects including delivering a Housing provision scheme in Kidderminster; Solar farm and Electric vehicle charging points There are significant risks associated with these major schemes, including implications for revenue as well as capital budgets.	Annual Audit Report 2020-21	On-going regular reporting on progress will be delivered through enhanced quarterly Capital Programme reporting. Dedicated project management expertise will be put in place for all major projects and programme and cost risks will be closely managed. Clarity of delineation of the roles of those Members and Officers concerned with the delivery of projects and those concerned with regulatory decisions will be factored into the project management and decision making protocols will provide necessary ethical walls within the organisation and in line with the council's constitution.	Quarterly progress/monitoring reports presented to Cab/CLT Projects delivered on time within cost plan	CLT, Head of NWEDR, Head of Strategic Growth, Head of Resources	On-going

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
8.	Workforce planning Resilience, recruitment and retention	Annual Audit Report 2020-21	Development and approval of New Organisation Development (OD) Strategy, including focus on workforce design, recruitment and retention, succession planning and innovation as well as issues raised in the staff survey.	Approval and implementation of OD Strategy	Chief Executive, Solicitor to the Council, Head of HR&OD	Revised OD Strategy to be agreed by September 2022

Agenda Item No.10

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

Ian R Miller
Chief Executive

..... 2022

Councillor Helen Dyke
Leader of the Council

..... 2022