



Emergency Powers Non-Executive Decisions Agenda

Wyre Borough Council
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Emergency Powers Non-Executive Decisions to be taken on Tuesday 16 June 2020 at 6.00 pm via Remote Access.

1. Apologies for absence

2. Declarations of interest

To receive any declarations of interest from any members or officers on any item on this agenda.

3. Emergency Powers Provisions for Audit Committee

(Pages 3 - 4)

On 22nd April 2020 Cabinet, in consultation with opposition leaders, noted the adoption of temporary emergency measures for executive and certain non-executive decisions to be delegated to officers using emergency powers that were invoked due to the Chief Executive declaring a major incident in Wyre.

The attached report shows the steps that will be followed for items and decisions that would have normally been considered by the Audit Committee.

4. Review of Effectiveness of Internal Audit

(Pages 5 - 70)

Report of the Head of Governance.

5. Internal Audit Annual Report 2019/20

(Pages 71 - 102)

Report of the Head of Governance.

6. Annual Governance Statement 2019/20

(Pages 103 - 122)

Report of the Head of Governance.

7. Risk Management Policy: Annual Review

(Pages 123 - 132)

Report of the Head of Governance.

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Emergency arrangements resulting from the COVID-19 Coronavirus Pandemic: **Audit Committee**

On 22 April 2020 Cabinet, in consultation with opposition leaders, noted the adoption of temporary emergency measures for executive and certain non-executive decisions to be delegated to officers following the declaration of a major incident in Wyre.

5.2.3 of the report agreed the measures below for the Audit Committee:

“That authority be delegated to the s.151 Officer, or Head of Governance, in consultation with the Chairman of the Committee or with the Vice Chairman if the Chairman is unavailable, to take decisions or make approvals as required.”

What this means in practical terms:

The Audit Committee process will continue to be coordinated by the Democratic Services Officer, in collaboration with the s.151 Officer and Head of Governance.

All the usual processes before a committee meeting will be followed and reports will still be written and shared with the whole committee (and made available publically via modern.gov). Any comments or questions on the reports should be submitted to the Chair, Vice Chair, Head of Governance and s.151 Officer in advance of the agreed deadline, which for the avoidance of doubt will be noon on the Monday before the set meeting date.

The previously agreed deadlines for the submission and publication of reports and agendas will still stand. Report authors may change to allow independence in decision making and there may be some alterations to when reports would normally be published reflecting the new deadlines for the accounts etc. In other words, the accounts may normally go to the July meeting but may now go to the November meeting instead. Decisions will be taken in accordance with the published agenda timescales.

Where the emergency powers have created the most change is the way in which the decisions will be made and who will be formally included.

Following the circulation of the reports and allowing for questions and comments to be submitted, the Chair (or Vice-Chair if unavailable), Head of Governance and s.151 Officer will meet to consider the reports and any decisions will be made by the s.151 Officer or Head of Governance in consultation with the Chair. To allow for complete independence, should the s.151 Officer or the Head of Governance be the report authors, they will not make any decisions and so this may see a change in decision maker to allow for this.

If the agenda requires no decisions and no submissions have been received from members of the committee then this may be done electronically. In all other circumstances a virtual meeting will take place, limited to those parties. Appropriate records of all decisions and considerations will be maintained and published.

If you have any questions on the process for how items will be decided by the committee please email Emma (emma.keany@wyre.gov.uk).

Emma Keany

Democratic Services Officer

21 May 2020



Report of:	Meeting	Date	Item no.
Head of Governance	Audit Committee	16 June 2020	4

REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT
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1. Purpose of report

1.1 This report relates to the requirement for the authority to undertake an annual review of the effectiveness of the system of internal audit.

2. Outcomes

2.1 Evidence that the council has an effective internal audit function.

3. Recommendations

3.1 The Committee is asked to consider the results of the May 2020 review of the effectiveness of Internal Audit detailed in Appendix 1.

4. Background

4.1 The Accounts and Audit Regulations 2015 requires the relevant body, at least once a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind this is to ensure that the opinion in the annual audit report issued by the Head of Governance / Chief Audit Executive (CAE) can be relied upon as a key source of evidence in the Annual Governance Statement.

4.2 From the 1 April 2013 Public Sector Internal Audit Standards (PSIAS) replaced the Code of Practice for Internal Audit in Local Government. In Local Government these standards are mandatory for all principal local authorities subject to the Accounts and Audit Regulations 2015. The PSIAS were re-issued in March 2017 with minor amendments.

4.3 To accompany the PSIAS an 'application note' has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to give guidance on applying the standards. However, the application note is no longer simply guidance but constitutes 'proper practices' alongside the PSIAS and it includes a checklist for measuring the performance of Internal Audit against the standards as part of the quality assurance and improvement programme. The application note was re-issued in February

2019 with minor amendments.

- 4.4** The PSIAS state that an external assessment must be conducted at least every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessment can be in the form of a full external assessment, or a self-assessment with independent external validation. A decision was made by the majority of the Lancashire Districts to continue with the annual self-assessment completed by the CAE and for that annual self-assessment to be independently verified via peer review. Wyre’s peer review took place in March 2018 and was submitted to the Audit Committee in June 2018 to consider the recommendations made by the peer review assessment team. Until the next round of peer reviews the Head of Governance will continue to carry out annual self-assessments. The next peer review will be carried out in February 2023.

5. Key issues and proposals

- 5.1** The Head of Governance (CAE) has assessed the effectiveness of the internal audit service using the recommended checklist contained within CIPFA’s Local Government Application Note. This has subsequently been scrutinised by the Corporate Director Resources (Section 151 Officer).
- 5.2** There were no actions that required attention following the last review in May 2019 and following this annual self-assessment, full compliance has been achieved. The results of the review are attached at Appendix 1.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	This will ensure good governance and probity.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
Health and Safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	13.05.2020

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Review of the effectiveness of internal audit – June 2020

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Questions to consider			Evidence / comments
1 Mission of Internal Audit			
Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?			The mission of Internal Audit is clearly documented in the Audit Charter. This is reviewed annually by the Audit Committee.
<i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2 Definition of Internal Auditing			
Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?			<p>An Audit Charter is in place that sets out Internal Audit’s independence. This is also documented in the Head of Governance’s (CAE) and Senior Auditor’s job descriptions.</p> <p>As internal audit is responsible for the council’s risk management and insurance arrangements, the council uses independent auditors (Lancashire County Council) to provide independent assurance that controls are adequate and effective.</p> <p>Audit are required from time to time to get involved / give advice on new systems / new controls etc. Due to the size of the team, it may be that the same auditor will then have to perform the audit. The auditor is, however mindful of their independence and has the option to call in Lancashire County Council or Lancaster City Council (owing to a shared CIA arrangement) if necessary.</p> <p>It is a requirement of both IIA and CIPFA for its members to be both independent and objective.</p> <p>Objectivity is one of the four fundamental principles listed in the Internal Audit Charter / Code of Ethics.</p> <p>All reports are reviewed by the Head of Governance (CAE) prior to issue to ensure that the auditor has remained objective and that an overall</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			balanced view is given.
Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?			There is a standard methodology in place for determining the ranking of opinions and rankings of findings / recommendations in audit reports. RISK / Control matrices are used to identify key areas prior to the start of each audit.
CONFORMS ✓	PARTIAL	NOT CONFORMING	The council has a risk management policy which is reviewed annually and uses Zurich Municipals' STORM methodology. The internal audit team use standardised working papers and audit report templates.

Questions to consider			Evidence / comments
3 Core Principles			
The Core Principles, taken as a whole, articulate internal audit effectiveness, and provide a basis for considering whether the review of conformance with the attribute standards and performance standards reflects full conformance, partial conformance or non-conformance with the PSIAS and the Local Government Application Note. In making this assessment, the assessor should have regard to positive evidence of conformance or non-conformance and the lack of evidence of non-conformance where positive evidence is difficult to obtain.			
Where there are instances of partial conformance or non-conformance in particular areas, you may need to make a judgment having regard to materiality and other factors in order to form a view on whether the internal audit activity conforms with a particular Core Principle. Any such judgments should be highlighted and explained.			
Demonstrates integrity.			Auditors are bound by their ethical standards both in the internal audit Charter / Code of Ethics and with their own professional bodies, i.e. CIPFA / IIA.
Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?			Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed quarterly via the council's performance appraisal process.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			<p>Auditors are required to complete an annual declaration of interests.</p> <p>Auditors are bound by their professional and ethical standards and the Code of Ethics within the Internal Audit Charter.</p> <p>In addition to being bound by professional and ethical standards and the Code of Ethics within the Internal Audit Charter, internal audit also complies with the council's Employee Code of Conduct Policy.</p>
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Questions to consider			Evidence / comments
Demonstrates competence and due professional care.			<p>Elements such as these are a requirement of the role are reviewed regularly via the council's performance appraisal process.</p> <p>Auditors complete and regularly update their Continual Professional Development (CPD) records.</p> <p>The Quality Assurance and Improvement Programme; internal assessments ensure auditors can demonstrate competence.</p>
Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is objective and free from undue influence (independent).			<p>Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed regularly via the council's performance appraisal process.</p> <p>Auditors are required to complete an annual declaration of interests.</p> <p>Staff are aware of the requirement to declare any gifts and hospitality.</p>
Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Aligns with the strategies, objectives, and risks of the organisation.			<p>Following the approval of the Council's Business Plan; Strategic and Operational risk workshops are carried out to ensure that the key risks of the organisation are identified and addressed through the annual audit plan, which if delivered, will assist the council in delivering its Business Plan.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is appropriately positioned and adequately resourced.			<p>The Internal Audit and Risk Management Team reports directly to the Corporate Director Resources (Section 151 Officer) who sits on the Corporate Management Team.</p> <p>Whilst the Internal Audit team is very small; assurance mapping, sound risk management and a fully risk based audit plan means that the team is adequately resourced to deliver the audit plan and deliver an annual audit opinion.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Demonstrates quality and continuous improvement.			A Quality Assurance and Improvement Programme is in place which is submitted to the Audit Committee annually in June. It includes a number of internal and external assessments which ensures that internal audit activity can demonstrate quality and continuous improvement.
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Communicates effectively.			The Internal Audit Charter sets out how Internal Audit communicates its activity.
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Provides risk-based assurance.			<p>The Internal Audit Plan is formulated following a risk-based assessment of the audit universe.</p> <p>At the start of each audit assignment, a full risk assessment is completed by the auditor which identifies and documents the audit areas, key risks and expected controls.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is insightful, proactive, and future-focused.			<p>The Internal Audit Team liaises with all Corporate Directors, Heads of Service and External Audit prior to pulling together the annual audit plan.</p> <p>A number of 'horizon scanning' documents are used to ensure that full coverage is obtained.</p> <p>Strategic and Operational risk workshops assist the team in ensuring the audit environment is covered.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Promotes organisational improvement.			<p>All internal audit reports are published on the Council's Intranet.</p> <p>Six monthly progress reports are issued to the Audit Committee. In addition, the Internal Audit Annual Report documents the work and achievements of the team during the year.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
4 Code of Ethics			
Integrity			

<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by:</p> <ul style="list-style-type: none"> ■ Performing their work with honesty, diligence and responsibility? ■ Observing the law and making disclosures expected by the law and the profession? ■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation? ■ Respecting and contributing to the legitimate and ethical objectives of the organisation? 			<p>Auditors are bound by their ethical standards both in the internal audit Charter / Code of Ethics and with their own professional bodies, i.e. CIPFA / IIA.</p> <p>Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed quarterly via the council's performance appraisal process.</p> <p>Auditors are required to complete an annual declaration of interests.</p> <p>Auditors are bound by their professional and ethical standards and the Code of Ethics within the Internal Audit Charter.</p> <p>In addition to being bound by professional and ethical standards and the Code of Ethics within the Internal Audit Charter, internal audit also complies with the council's Employee Code of Conduct Policy.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Objectivity</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by:</p> <ul style="list-style-type: none"> ■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? ■ Not accepting anything that may impair or be presumed to impair their professional judgement? ■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review? 			<p>Compliance with Audit Charter / Code of Ethics</p> <p>Completion of annual declarations of interests.</p> <p>Audit are required from time to time to get involved / give advice on new systems / new controls etc. Owing to the size of the team, it may be that the same auditor will then have to perform the audit. The auditor is, however mindful of their independence and has the option to call in Lancashire County Council if necessary. In addition, the Council is also currently joint working with Lancaster City Council, therefore there is also an option to use audit staff from that authority if required.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Confidentiality</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <ul style="list-style-type: none"> ■ Acting prudently when using information acquired in the course of their duties and protecting that information? ■ Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation? 			<p>Compliance with Audit Charter / Code of Conduct and Public Sector Internal Audit Standards.</p> <p>The Audit review process undertaken by the Head of Governance (CAE) includes a review of the information used for testing and how it was processed.</p> <p>Compliance with audit information asset registers.</p> <p>Understanding of the Data Protection Act 2018 and the enshrined GDPR.</p> <p>Compliance to the Audit Charter / Code of Ethics and the auditor's own professional standards.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Competency</p> <p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <ul style="list-style-type: none"> ■ Only carrying out services for which they have the necessary knowledge, skills and experience? ■ Performing services in accordance with the PSIAS? ■ Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes? 			<p>The Senior Auditor is professionally qualified to PIIA standard and therefore has the experience and skills to carry out the required audits.</p> <p>The Senior Auditor has been supplied with a copy of Audit Charter / Code of Ethics and the PSIAS and performance is regularly assessed.</p> <p>Work related objectives are agreed in advance as part of the council's performance appraisal scheme.</p> <p>Staff are encouraged to maintain records of continuing professional development to satisfy their professional membership requirements.</p> <p>Regular attendance at the audit weekend school.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Seven Principles of Public Life			A copy of the Internal Audit Charter and the Code of Ethics which refers

Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ?			to the Seven Principles of Public Life, has been provided to all Audit and Risk Management staff. Both documents are also published on the Intranet.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Standards			
5 Attribute Standards			
5.1 1000 Purpose, Authority and Responsibility			
The questions in this section seek to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.			
Does the internal audit charter conform with the PSIAS by including a formal definition of: <ul style="list-style-type: none"> ■ the purpose ■ the authority, and ■ the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?			The Audit Charter includes a definition in accordance with the PSIAS.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>			<p>The Audit Charter defines the 'board' as the Audit Committee and 'Senior Management' as the Corporate Director Resources (Section 151 Officer).</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> ■ Set out the internal audit activity's position within the organisation? ■ Establish the chief audit executive's (CAE) functional reporting relationship with the board? ■ Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager. ■ Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit? ■ Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities? ■ Define the scope of internal audit activities? ■ Recognise that internal audit's remit extends to the entire control environment of the organisation? ■ Establish the organisational independence of internal audit? ■ Cover the arrangements for appropriate resourcing? ■ Define the role of internal audit in any fraud-related work? 			<p>See Audit Charter</p> <p>Since May 2017, the CAE (Head of Governance) has provided assurance in the CIA role for Lancaster City Council. A service level agreement has been entered into and is currently on a 12 month rolling contract.</p> <p>The service level agreement between Lancaster City Council and Wyre contains a job description which defines the nature of assurance services provided.</p>

<ul style="list-style-type: none"> ■ Set out the existing arrangements within the organisation’s anti- fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety? ■ Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities? ■ Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation? ■ Define the nature of consulting services? ■ Recognise the mandatory nature of the PSIAS? 		
CONFORMS ✓	PARTIAL	NOT CONFORMING

Questions to consider			Evidence / comments
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?			An annual review is undertaken in May.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
5.2 1100 Independence and Objectivity			
The questions in this section seek to confirm that the internal audit activity is independent and internal auditors are objective in performing their work.			
Does the CAE have direct and unrestricted access to senior management and the board?			The Head of Governance (CAE) reports directly to Senior Management and attends all the Audit Committee meetings to present reports. There is also an annual opportunity for the CAE to have a periodic private discussion with the Audit Committee. Access rights and reporting lines are documented in the Audit Charter. The Chairman of the Audit Committee attends regular pre-meeting briefings in person or via telephone.
Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Does the CAE attend audit committee meetings?			See minutes of Audit Committee indicating attendees and contribution.
Does the CAE contribute to audit committee agendas?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Are threats to objectivity identified and managed at the following levels:			Audit staff complete a declaration of interests annually. The option exists for audit work to be commissioned from Lancashire County Council and Lancaster City Council if there is a threat to objectivity. The Head of Governance (CAE) will consider any threats to objectivity at the start of each audit. The council's risk management, business continuity and insurance arrangements are the responsibility of the internal audit service. Lancashire County Council and Lancaster City Council will be used in the instances where objectivity is threatened.
<ul style="list-style-type: none"> ■ Individual auditor? ■ Engagement? ■ Functional? ■ Organisation? 			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			Internal Audit has limited responsibilities outside audit responsibilities, thus protecting its independence and objectivity.
1110 Organisational Independence			
<p>This subsection seeks to confirm that reporting and management arrangements been put in place that preserve the CAE’s independence and objectivity.</p> <p>This is of particular importance when the CAE is line-managed by another officer of the authority.</p>			
Does the CAE report to an organisational level equal or higher to the corporate management team?			The CAE reports directly to the Corporate Director Resources (Section 151 Officer) who sits on Corporate Management Team.
Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?			The CAE reports directly to the Corporate Director Resources (Section 151 Officer) who sits on Corporate Management Team.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the CAE's position in the management structure:</p> <ul style="list-style-type: none"> ■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? ■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management? 			<p>The audit work programme includes an opportunity for the CAE to meet with the Audit Committee in private.</p> <p>The CAE is one of 11 Heads of Service who together with the 4 members of the Corporate Management Team act as the council's Senior Leadership Team.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p>			<p>Documented in the Audit Charter which is presented to the Audit Committee in May annually.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p>			<p>The Audit Committee annually approves the Internal Audit Charter in May and the risk based plan in March</p>
<p>The 'Interpretation' to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board:</p> <ul style="list-style-type: none"> ■ approves the internal audit charter ■ approves the risk-based audit plan ■ approves the internal audit budget and resource plan ■ receives communications from the CAE on the activity's performance (in relation to the plan, for example) ■ approves decisions relating to the appointment and removal of the CAE ■ approves the remuneration of the CAE ■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. 			<p>The Audit Committee receives six monthly updates on risk management and progress on completion of the audit plan.</p> <p>The appointment / dismissal of the CAE is not reflected in the council's Constitution as an elected member responsibility and falls to the Corporate Director Resources (Section 151 Officer) who is responsible for maintaining an adequate internal audit function. Any decision, however, would be presented to the Audit Committee for noting.</p> <p>The Audit Committee work programme allows an opportunity for a private discussion with the External Auditor which would allow them to comment on the performance of the CAE, if appropriate.</p> <p>The Audit Committee work programme allows an opportunity for a private discussion with the External Auditor which would allow them to comment on the performance of the CAE, if appropriate.</p>

The Public Sector Interpretation to PSIAS 1110 notes that board approval of CAE remuneration does not generally happen in the UK public sector, and that the underlying principle is therefore that the independence of the CAE must be safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit.

EQA assessors should therefore consider whether adequate steps are taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit. This might for example reflect some involvement of the chief executive in the performance assessment process or feedback from the audit committee chair.

CONFORMS ✓	PARTIAL	NOT CONFORMING
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1111 Direct Interaction with the Board

Does the CAE communicate and interact directly with the board?

CONFORMS ✓	PARTIAL	NOT CONFORMING
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The remuneration of the CAE is in accordance with the Council’s Pay and Grading Policy.

The Audit Committee have the opportunity to question the Head of Governance (CAE) and the Corporate Director Resources (Section 151 Officer) at the meeting when the audit plan is presented and progress reports are provided.

The Corporate Director Resources (Section 151 Officer), who sits on the Corporate Management Team has regular 1-2-1’s with the Head of Governance (CAE) and also completes her performance appraisal. The Corporate Director Resources is appraised by the Chief Executive. It is at this appraisal where the Head of Governance’s (CAE) performance would be discussed if there were any issues.

Feedback on the Head of Governance’s (CAE) performance is provided by the Chairman of the Audit Committee following the March meeting and prior to the annual performance appraisal taking place.

The Head of Governance (CAE) attends a pre-audit meeting with the Chairman of the Audit Committee and also attends all Audit Committee Meetings.

Questions to consider			Evidence / comments
1112 Chief Audit Executive Roles Beyond Internal Auditing			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			There has been no impairment of independence or objectivity. The Head of Governance (CAE) has operational responsibility for insurance, business continuity, risk management, electoral registration, democratic services and information governance. Assurance is sought from Lancashire County Council in respect of these services operating effectively. This arrangement is reported to the Audit Committee annually in the Annual Audit Report.
Does the board periodically review these safeguards?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1120 Individual Objectivity			
Do internal auditors have an impartial, unbiased attitude?			Feedback questions sent after each audit are used to monitor the auditor's approach.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Do internal auditors avoid any conflict of interest, whether apparent or actual?			Auditors will complete an annual declaration of interests. Compliance with the Internal Audit Charter / Code of Ethics. Audit Staff are aware that they need to report any suspected conflicts of interest if they arise during an audit review. There have been no conflicts of interest recorded to date.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1130 Impairment to Independence or Objectivity			
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?			There has been no impairment of independence or objectivity. The Head of Governance (CAE) has operational responsibility for insurance, business continuity, risk management, electoral registration, democratic services and information governance. Assurance is sought from Lancashire County Council in respect of these services operating effectively.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?			N/A
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?			The Head of Governance (CAE) has operational responsibility for insurance, business continuity, risk management, electoral registration, democratic services and information governance. Assurance is sought from Lancashire County Council in respect of these services operating effectively.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?			Owing to the size of the audit team this is not achievable. However the use of Lancashire County Council and the potential to use Lancaster City Council allows the rotation of audits where appropriate.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Have internal auditors declared interests in accordance with organisational requirements?			The Audit and Risk Management Section all complete an annual declaration of interests.
CONFORMS ✓	PARTIAL	NOT CONFORMING	Staff are provided with the Internal Audit Charter / Code of Ethics. Both documents are also on the intranet.
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?			There have been no declarations of gifts and hospitality received in 2019/20. Audit staff are reminded annually of the council's procedures in respect of receiving gifts and hospitality.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?			There have been no instances where an auditor has used information obtained during the course of duties for personal gain.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?			See declaration of interest.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?			The council's Internal Audit Team do not undertake any consultancy work.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?			The council's Internal Audit Team does not undertake any consultancy work. However the Head of Governance (CAE) is providing cover for the CAE role at Lancaster City Council from May 2017. This is currently on a 12 month rolling contract which amounts to approximately 55 days per year.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
5.3 1200 Proficiency and Due Professional Care			
This section seeks to confirm that engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the CAE and their staff, and how they exercise their capability in practice.			
1210 Proficiency			
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?			The Head of Governance (CAE) is a fully Certified Chartered Auditor (CIA). She also holds a Qualification in Internal Audit Leadership (QIAL).

Is the CAE suitably experienced?			The Head of Governance (CAE) has 19 years' experience in internal audit including County Council, 2 District Councils, experience in auditing the Police and Fire Authority, schools and residential establishments.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?			The Head of Governance (CAE) has been fully trained on the council's recruitment and selection procedures.
Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?			Last updated in August 2018 when the role of Data Protection Officer was added to the Head of Governance (CAE) responsibilities.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?			The Senior Auditor is PIIA qualified and satisfies the required competencies for the role. All staff at Lancashire County Council are either fully MIIA or CIPFA qualified.
Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?			The Head of Governance (CAE) and Senior Auditor have the necessary qualifications and skill set to carry out any audit work. However if a piece of work was to be carried out that would require a specialist auditor skill set, an external audit organisation would be contacted.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?			The use of TIS online and GRACE risk matrices help assist in evaluating the risk of fraud. The knowledge and expertise of the in-house Compliance Team is available if required. Both the Head of Governance (CAE) and the Senior Auditor have attended an external course in respect of conducting internal investigations.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of key information technology risks and controls?			The council uses the expertise of Lancashire County Council auditors where appropriate.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?			Although the Internal Audit function do not have any CAAT software, arrangements are in place to utilise Lancashire County CAAT software if the need arises.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1220 Due Professional Care			
<p>Do internal auditors exercise due professional care by considering the:</p> <ul style="list-style-type: none"> ■ Extent of work needed to achieve the engagement's objectives? ■ Relative complexity, materiality or significance of matters to which assurance procedures are applied? ■ Adequacy and effectiveness of governance, risk management and control processes? ■ Probability of significant errors, fraud, or non-compliance? ■ Cost of assurance in relation to potential benefits? <p>In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.</p>			<p>The Senior Auditor will discuss and agree the scope, objectives and risks at the start of each audit with the client.</p> <p>The audit plan considers time, cost, complexity and the assurances it requires from each audit.</p> <p>Guidance, information and advice is available to the auditor when designing tests to ensure adequacy and effectiveness of governance, risk management and control.</p> <p>GRACE risk matrices and the TIS online subscription are frequently used to ensure all risk areas are considered and subsequent controls have been identified. Audit staff have access to several CIPFA publications which assist with the consideration of audit, governance and risk. Namely; CIPFA – Delivering Good Governance in Local Government; and</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			<p>the PSIAS – Local Government; Application Note for the UK Public Sector.</p> <p>At the start of the audit, the auditor will have an initial meeting with the auditee to discuss potential risks. If any further risks, fraud etc. are highlighted during the audit, the scope would be amended to include the work required. The auditor will also be alert to any non-compliance issues raised by officers.</p> <p>All work is risk based. If additional work is required, the Senior Auditor will agree this with the Head of Governance (CAE) subject to a cost/benefit analysis being undertaken.</p> <p>Consideration will be given to what methods of data analysis / techniques should / could be used at the start of each audit to obtain the necessary assurances.</p>
<p>Do internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> ■ Needs and expectations of clients, including the nature, timing and communication of engagement results? ■ Relative complexity and extent of work needed to achieve the engagement’s objectives? ■ Cost of the consulting engagement in relation to potential benefits? 			<p>There are no such engagements undertaken presently.</p>
<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>	
<p>1230 Continuing Professional Development</p>			
<p>Has the CAE defined the skills and competencies for each level of auditor?</p> <p>And</p> <p>Does the CAE periodically assess individual auditors against the predetermined</p>			<p>The council establishment has one level of auditor at Grade 8 with the support of the Head of Governance (CAE). A further resource (up to 70 days) can be outsourced to Lancashire County Council if required.</p> <p>Each audit report is reviewed by the Head of Governance (CAE) to ensure the audit has been conducted in accordance with professional standards and requirements of any auditing publications.</p> <p>The skills and competencies of the Senior Auditor are annually reviewed</p>

skills and competencies?		as part of the council's performance appraisal scheme. It is understood that all Lancashire County Council auditors also have performance appraisals where their skills and competencies are assessed.
CONFORMS ✓	PARTIAL	
		NOT CONFORMING

<i>Questions to consider</i>			<i>Evidence / comments</i>
<p><i>Do internal auditors undertake a programme of continuing professional development?</i></p> <p><i>And</i></p> <p><i>Do internal auditors maintain a record of their professional development and training activities?</i></p>			<p>Both the Head of Governance (CAE) and the Senior Auditor undertake CPD in accordance with their professional qualification requirements.</p> <p>HR maintains a list of all courses that have been attended by Audit staff.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<i>5.4 1300 Quality Assurance and Improvement Programme</i>			
<p><i>The questions in this section seek to confirm that the CAE has developed and maintained a Quality Assurance and Improvement Programme (QAIP) through which conformance with the PSIAS can be and is properly assessed.</i></p>			
<p><i>Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?</i></p> <p><i>Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?</i></p> <p><i>Does the CAE maintain the QAIP?</i></p> <p><i>Are any statutory requirements for review of the internal audit activity satisfied?</i></p>			<p>The QAIP includes both internal; and external assessments.</p> <p>The internal assessments include:</p> <ul style="list-style-type: none"> • An annual self-assessment of the effectiveness of the audit service using the PSIAS; • Feedback on the Head of Governance (CAE) is sought annually prior to their performance appraisal; • 6 monthly monitoring of the internal audit activity to the Audit Committee; and • Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the Sections Audit Charter and also in the PSIAS.
CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>External assessments include:</p> <ul style="list-style-type: none"> • A 5 yearly independent assessment of compliance to the PSIAS; • Annual review of the council's Annual Governance Statement as part of the Financial Accounts audit; • Regular attendance at the Audit Committee with the opportunity to meet in private with the Committee; and

			<ul style="list-style-type: none"> External Auditors and Audit Committee Members reviewing and challenging internal audit reports. <p>All aspects of the programme are routinely monitored. The review is conducted by the Head of Governance (CAE) and scrutinised by the Corporate Director Resources (S151 Officer).</p>
1310 Requirements of the Quality Assurance and Improvement Programme			
<i>Does the QAIP include both internal and external assessments?</i>			<p>A self-assessment is performed annually. In addition, an external review of the effectiveness of the internal audit function is carried out every 5 years, in accordance with the requirements of the PISIAS. Wyre's review took place in March 2018. Only three minor areas of recommendation were identified. The next peer review will take place in February 2023.</p> <p>The External Auditor will also review the work of the internal audit service as part of the work they complete in respect of the ISA 260 – Report to those charged with Governance.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1315 Internal Assessments			
<i>Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?</i>			<p>Whilst this is limited due to the size of the audit team, Lancashire County Council will be used if CAAT software is required.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<i>Do internal assessments include ongoing monitoring of the internal audit activity, such as:</i> <ul style="list-style-type: none"> Routine quality monitoring processes? Periodic assessments for evaluating conformance with the PISIAS? 			<p>All audit work is subject to a full review before the report is published. This includes a full review of working papers, evidence found, testing completed and validity of recommendations.</p> <p>An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years.</p> <p>An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years.</p> <p>Wyre's review took place in March 2018 with the next review due in February 2023.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> ■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities? ■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? ■ Does the CAE measure, monitor and report on progress against these targets? ■ Does ongoing performance monitoring include obtaining stakeholder feedback? 			<p>The Senior Auditor is set targets / objectives annually as part of the performance appraisal scheme. Performance against these targets/objectives is monitored regularly.</p> <p>The Audit Committee receives six monthly updates on completion of the audit plan.</p> <p>Reporting timescales are published in the Audit Charter.</p> <p>In addition, ad-hoc benchmarking is conducted with the other Lancashire Internal Audit services. The use of external providers (Lancashire County Council) also assists with benchmarking the quality of internal audit reports.</p>
<p>CONFORMS ✓</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 33</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p> <p>On-going monitoring of service performance was identified as an area that would benefit some improvement; i.e. Performance indicators. However given the size of the team and the number of audits completed, it is thought that performance reporting to the Audit Committee is sufficient enough to demonstrate the valued added to the organisation.</p> <p>The SLA between Lancashire County Council and Wyre Council includes performance targets and timescales.</p> <p>Work is monitored quarterly in respect of audit work by Lancashire County Council, when undertaken. The Wyre audit plan is monitored day-to-day with a report being considered by Audit Committee every six months.</p> <p>An electronic feedback questionnaire is sent to the client at the end of each audit review. Any areas of concern are followed up by the Head of Governance (CAE).</p>	

<p>Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?</p> <p>Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p>			<p>The periodic self-assessment is undertaken by the Head of Governance (CAE) and reviewed by the Corporate Director Resources (Section 151 Officer).</p> <p>In order to comply with PSIAS and the Local Government Application Note; an external assessment must be carried out once every 5 years. Wyre's assessment took place in March 2018. The next review is due to be completed in February 2023.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?</p>			<p>Previous peer reviews used the checklist recommended in CIPFA's Code of Practice. The assessment also included a review of the annual internal audit report which documents the achievement of the audit plan and its wider aims and objectives documented in the Audit Charter.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1312 External Assessments			
<p>Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?</p> <p>Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.</p>			<p>The last external assessment was completed in March 2018 and the next one is scheduled for February 2023.</p> <p>The proposal from the Lancashire District Chief Auditors group which has been agreed by Audit Committee is to continue with the self-assessment and use peer reviews to obtain the independent external validation.</p> <p>The annual self-assessment is carried out by the Head of Governance (CAE), scrutinised by the Corporate Director Resources (Section 151 Officer) and presented to the Audit Committee. Wyre's first external assessment was in March 2018. The External Auditor at the time (KPMG) received the self-assessment as part of the Audit Committee agenda and therefore had the opportunity to challenge the content.</p> <p>The Audit Committee agree that an external self-assessment will be carried out by the Head of Governance (CAE), scrutinised by the Corporate Director Resources (Section 151 Officer) and presented to the Audit Committee and that every 5 years the review will be independently validated by a peer review. Wyre's next peer review is scheduled for February 2023. A memorandum of understanding (MoU) and templates are in place which will be used for all external assessments. The report template allows for the assessment team to state their qualifications and independence.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?</p> <p>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing <i>and</i> the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies – it is the team as a whole that is qualified.</p> <p>If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</p> <p>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</p> <p>Conflict of interest may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</p>			<p>The qualifications and independence of the assessment team will be documented in the final report. The peer review team will ensure that that the assessment team do not have any real or apparent conflicts of interest with the organisation prior to the work commencing.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?</p> <p>The CAE should also agree this scope with the external assessor or assessment team.</p>			<p>These requirements form the basis of the ‘Memorandum of Understanding’.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>1320 Reporting on the Quality Assurance and Improvement Programme</p>			

<p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <hr/> <p>Note that:</p> <ul style="list-style-type: none"> ■ the results of both external and periodic internal assessment must be communicated upon completion ■ the results of ongoing monitoring must be communicated at least annually ■ the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS. 	<p>The Internal Audit Annual Report reports the results of the QAIP to Audit Committee. The results of the internal assessment of the internal audit function are scrutinised by the Corporate Director Resources (Section 151 Officer) and presented to the Audit Committee.</p> <p>The internal assessment is reported to Audit Committee annually in May and any external assessments will be reported to the Audit Committee following the issue of any report.</p> <p>Both the Internal Audit Annual Report and the Internal Audit Charter refer to the QAIP and its ongoing monitoring. Conformance with PSIAS is documented.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Questions to consider			Evidence / comments
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?			The QAIP is reported in the annual report. No gaps have been highlighted following the assessment of the internal audit service that need reporting in the internal audit annual report or the Annual Governance Statement for 2019/20.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'			
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?			The self-assessment is reviewed by the Corporate Director Resources (Section 151 Officer) and reported to the Audit Committee.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1322 Disclosure of Non-conformance			
Has the CAE reported any instances of non-conformance with the PSIAS to the board?			There are no instances of non-conformance with the PSIAS.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?			There are no significant deviations that require reporting in the AGS.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

Questions to consider			Evidence / comments
6 Performance Standards			
6.1 2000 Managing the Internal Audit Activity			
The questions in this section seek to confirm that the internal audit activity's work achieves the purposes and responsibility of the activity, as set out in the internal audit charter, and that the internal audit activity adds value to the organisation and its stakeholders by:			

<ul style="list-style-type: none"> ■ providing objective and relevant assurance ■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes. 			
2010 Planning			
<p>Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?</p> <p>Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?</p> <p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> ■ How the internal audit service will be delivered? ■ How the internal audit service will be developed in accordance with the internal audit charter? <p>How the internal audit service links to organisational objectives and priorities?</p>			<p>The audit plan is formulated following discussions with Senior Managers, consideration of the Council's Business Plan and strategic and operational risk registers.</p> <p>The audit plan is formulated taking into consideration the areas on which the Head of Governance (CAE) is required to provide assurance in the annual audit report.</p> <p>The audit plan considers the council's risk registers, business plan, priority projects / objectives and also any emerging threats, opportunities for fraud etc.</p> <p>Documented in the Audit Charter / Code of Ethics.</p> <p>Development of the Internal Audit Service will be identified as part of this self-assessment and also at the 5 year external assessment.</p> <p>Improvements are also discussed and documented in the service plan each year. Progress on meeting these improvements is monitored through the performance appraisal system.</p> <p>The audit plan is formulated after reviewing the council's business plan which lists the key objectives and actions for the organisation as a whole.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p> <p>In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?</p> <p>If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this? N/A</p>			<p>Local and national risks are identified through the following;</p> <ul style="list-style-type: none"> • Strategic / operational risk workshops • Networking and attendance at group auditor meetings; • Meetings with the External Auditor; and • Reading and research. <p>The Audit Committee are given the opportunity to comment on the work in the plan and discuss emerging risks either locally or nationally.</p> <p>The terms of reference for each audit will identify and address individual risks, be it locally or nationally. The terms of reference for each audit are published on the council's intranet.</p> <p>Both strategic and operational risks are considered when developing the audit plan.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> ■ Audit work to be carried out? ■ Respective priorities of those pieces of audit work? ■ Estimated resources needed for the work? <p>Does the risk-based plan differentiate between audit and other types of work?</p> <p>Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?</p>			<p>The audit plan lists the nature of the audit work.</p> <p>The plan itself does not list the priority of the work to be completed. However at the start of the year the audits will be prioritised and a start date will be agreed between the Head of Governance (CAE), Senior Auditor and the Head of Service.</p> <p>Estimated resources are documented in the audit plan.</p> <p>The audit plan is separated into sections, i.e. IT audits, financial systems work, routine monitoring, operational audits, business plan work and other areas of work including risk management, counter fraud and information governance.</p> <p>A contingency / investigation resource is set aside. The plan is regularly monitored and flexed if required.</p> <p>The plan is flexible. If any new risks emerge during the year or new systems are implemented the contingency will be used initially. If this resource has already been used it may be that some work on the audit plan may slip to the following year. Any changes or deviation from the audit plan will be reported to the audit committee.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?</p>			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>Is the internal audit activity's plan of engagements based on a documented risk assessment?</p> <p>Is the risk assessment used to develop the plan of engagements undertaken at least annually?</p>	<p>The process that is undertaken to formulate the audit plan is an annual risk assessment.</p> <p>The risk assessment is completed annually and reviewed half yearly.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>In developing the risk-based plan, has the CAE also given sufficient consideration to:</p> <ul style="list-style-type: none"> ■ Any declarations of interest (for the avoidance for conflicts of interest)? ■ The requirement to use specialists, e.g. IT or contract and procurement auditors? ■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? ■ The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion? 	<p>Audit staff complete an annual declaration of interest. There have been no conflicts of interest recorded in 2019/20.</p> <p>The Senior Auditor has the necessary qualifications and skill set to carry out any audit. However if a piece of work was to be carried out that would require a specialist auditor skill set, an external audit organisation would be contacted.</p> <p>A contingency / investigation resource is set aside.</p> <p>Time to plan each audit is factored into the number of days allocated for each piece of work. Attendance at Audit Committee, development of the annual report and other Head of Governance (CAE) activities is listed separately on the audit plan.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Questions to consider			Evidence / comments
<p>In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?</p> <p>Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?</p>			<p>Senior Management input is requested when drafting the audit plan. It is then submitted to the Audit Committee and which point their input is also requested.</p> <p>The annual audit report is scrutinised by the Corporate Director Resources (Section 151 Officer) and is also presented to the Audit Committee for consideration. The document would be amended accordingly, recognising comments made, recommendations, changes etc.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>In regards to audit report opinions, the overall opinions are based on the findings of each audit, which are graded using a set framework. Auditees can challenge the audit opinion and provide reasons in support of why they think the opinion should be changed. This will be done at the draft stage of the reporting process.</p>
<p>Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?</p> <p>41 Are consulting engagements that have been accepted included in the risk-based plan?</p>			<p>It is hoped that shared good practice will take place between the two organisations (Lancaster and Wyre) in relation to risk management, internal control and information governance.</p> <p>The risk based plan has been amended to make provision for the 55 days that the Head of Governance (CAE) will spend on-site at Lancaster City Council. Lancashire County Council will be used to back-fill any work if needed.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<i>2020 Communication and Approval</i>			
<p>Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?</p> <p>Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?</p>			<p>The draft audit plan is submitted to the Audit Committee in March for approval. Once approved the Senior Leadership Team is notified of work in their areas.</p> <p>A six monthly update is provided for the Audit Committee which includes any deviations from the audit plan.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Has the CAE communicated the impact of any resource limitations to senior management and the board?</p>			<p>Resource limitations would be reported to senior management and the Audit Committee where appropriate as part of the update report.</p>

CONFORMS ✓	PARTIAL	NOT CONFORMING	
2030 Resource Management			
Does the risk-based plan explain how internal audit's resource requirements have been assessed?			<p>The internal audit resource requirements are documented in the Audit Charter. The Audit Committee are only presented with the audit plan showing the total number of audit days committed and the number of days in which each piece of work will be completed. They are aware of the size of the audit section and have the opportunity to challenge the plan if they feel there is insufficient coverage.</p> <p>Benchmarking was carried out in 2016 with neighbouring authorities to ensure that the number of audit days / staff is consistent with other similar sized authorities.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?			<p>At the start of the audit year the Senior Auditor will agree timings with each Head of Service.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?</p> <p>This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.</p>			<p>There is an opportunity for the Head of Governance (CAE) to comment on sufficiency of resources where appropriate; although it is considered that the resource available is currently sufficient to deliver the audit plan. The team is small; however this is supported by a partnership with Lancashire County Council (LCC) to provide audit days (up to 70 days) if required. In addition the SLA for LCC does have a contingency to cover for absence of key audit staff.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2040 Policies and Procedures			
<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems to guide staff in performing their duties in a manner that conforms to the PSIAS</p> <p>Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?</p>			<p>Standardised working papers and a reporting format has been developed. The council's intranet is used to store key documents that guide audit activity i.e. Audit Charter / Code of Ethics, Risk Management Policy and other CIPFA guidance. The Senior Auditor has been issued with the PSIAS and CIPFA's Application Note.</p> <p>Internal audit policies and procedures are reviewed annually to ensure conformity to PSIAS.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2050 Coordination			
<p>Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers.</p>			<p>Other streams of assurance such as external inspections are considered, e.g. RIPA, Taxi Licencing, and Local Government Ombudsman.</p> <p>Basic assurance mapping has been carried out by the Senior Auditor to identify sources of assurance which is documented on a spreadsheet and regularly updated.</p> <p>Quarterly meetings are held with External Audit to update them on the work currently being carried out by internal audit. Work sometimes</p>

They should also meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans.

Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.

overlaps / complements that of transformation / process re-engineering, so regular updates with the individual Heads of Service is important.

Both internal and external audit plans are shared and communicated publically at Audit Committee.

Regular meetings are held with the External Auditor and the Corporate Director Resources (S151 Officer) to discuss the progress made in implementing the audit plan.

CONFORMS ✓

PARTIAL

NOT CONFORMING

Questions to consider			Evidence / comments
<i>2060 Reporting to Senior Management and the Board</i>			
<p>Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?</p> <p>Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?</p> <p>Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?</p>			<p>The Head of Governance (CAE) will update the Corporate Director Resources (Section 151 Officer) on a regular basis.</p> <p>Six monthly audit and risk management update reports are submitted to the Audit Committee.</p> <p>The Audit Chairman and the External Auditor will receive verbal updates on any frauds / whistleblowing cases.</p> <p>The Audit Committee receives internal audit's Audit Charter / Code of Ethics annually which covers its purpose, authority and responsibility. Significant risk exposures are documented via the risk registers. Governance issues are considered along with the annual agreement of the AGS.</p> <p>Gifts and hospitality registers are also reviewed by Audit Committee and the Monitoring Officer.</p> <p>An agreed work programme is in place documenting when reports are submitted to Audit Committee.</p> <p>Where actions are considered to be important or urgent, more regular update reports are requested by Audit Committee and the relevant officer is invited to attend committee.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>			
<p>Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?</p>			<p>Documented within the SLA between Lancashire County Council and Wyre Council.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

6.2 2100 Nature of Work		
<p>The questions in this section seek to confirm that the internal audit activity evaluates and contributes to the improvement of the organisation’s governance, risk management and internal control processes using a systematic and disciplined approach.</p>		
<p>2110 Governance</p>		
<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation’s governance processes for:</p> <ul style="list-style-type: none"> ■ Making strategic and operational decisions? ■ Overseeing risk management and control? ■ Promoting appropriate ethics and values within the organisation? ■ Ensuring effective organisational performance management and accountability? ■ Communicating risk and control information to appropriate areas of the organisation? ■ Coordinating the activities of and communicating information among the board, external and internal auditors and management? 		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>The audit plan is formulated to ensure it contributes to the improvement of the organisation’s governance, risk management and internal control processes. Audit reviews will cover the governance and the key risks of the service as well as the key controls.</p> <p>Similar working formats, working papers and reports are used by Lancashire County Council helping to maintain consistent standards. All reported concerns are followed up e.g. members exerting undue influence.</p> <p>An ethical governance survey was conducted in 2019 to promote positive behaviours and values and identify gaps in knowledge and understanding. An equivalent survey for members was due to be issued early in 2020/21 but has been delayed by the pandemic.</p> <p>Managers are held accountable for actions in audit reports and findings from previous audit reports are followed up by the audit team.</p> <p>Performance management is scheduled in the audit plan biennially.</p> <p>The Human Resources Team monitor the performance of key projects within the business plan and report regularly to the Overview and Scrutiny Committee.</p> <p>Regular risk workshops take place with Heads of Service and the risk registers are on BRIAN for all staff to view.</p> <p>Audit reports are issued to the staff responsible for the area being audited.</p> <p>The Audit Committee and the Executive receive regular updates on risk management.</p> <p>A governance assurance meeting is carried out prior to the completion of the Annual Governance Statement. This is attended by key officers of the council. However it should be noted that owing to the COVID-19 pandemic, alternative methods will be used to pull together the AGS for 2019/20.</p> <p>All audit reports are issued to clients and published on the Intranet and</p>		

			<p>available for all staff / members to view.</p> <p>External Auditor communication is presented to Audit Committee.</p> <p>Regular updates are presented to council on the work of Audit Committee.</p> <p>Governance issues will be reviewed as part of the audit as are risk management, health and safety and performance management.</p>
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Questions to consider			Evidence / comments
<p>Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.</p>			<p>The ethical governance survey completed in 2019 tested knowledge and understanding of key policies and procedures and helped identify any gaps allowing targeted future training.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity assessed whether the organisation’s information technology governance supports the organisation’s strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.</p>			<p>There is a set number of days in the audit plan to cover IT governance if required.</p> <p>Lancashire County Council attend the IT network group on behalf of the council and will inform us of any new developments, potential risk areas or audits that would be beneficial to improve the IT control environment</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>2120 Risk Management</p>			
<p>Has the internal audit activity evaluated the effectiveness of the organisation’s risk management processes by determining that:</p> <ul style="list-style-type: none"> ■ Organisational objectives support and align with the organisation’s mission? ■ Significant risks are identified and assessed? ■ Appropriate risk responses are selected that align risks with the organisation’s risk appetite? ■ Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities? 			<p>Documented in the Business Plan.</p> <p>The Business Plan / service plans are used to identify and assess significant risks that would prevent the organisation from meeting its organisational objectives.</p> <p>Risks above the council’s risk appetite are required to have actions to mitigate the risks. Risks below the appetite are regularly monitored.</p> <p>Strategic risks are reviewed by Corporate Management Team every quarter and reported to the Audit Committee every six months.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity evaluated the risks relating to the organisation’s governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> ■ Achievement of the organisation’s strategic objectives? ■ Reliability and integrity of financial and operational information? 			<p>Considered at the strategic risk workshop when reviewing the Business Plan.</p> <p>Financial and operational information is tested for reliability and integrity as part of individual audits.</p> <p>Discussions take place at both strategic and operational risk workshops regarding the effectiveness and efficiency of operations and also</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<ul style="list-style-type: none"> ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 			<p>considered as part of individual audits.</p> <p>Discussions take place at both strategic and operational risk workshops regarding safeguarding the council’s assets and also considered as part of individual audits.</p> <p>Discussions take place at both strategic and operational risk workshops regarding compliance to law, regulations, policies, procedures and contracts. Also considered as part of individual audits.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a <i>Code of Practice on Managing the Risk of Fraud and Corruption</i>, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>			<p>Fraud risks are considered during the operational and strategic risk workshops.</p> <p>The council takes part in the NFI process.</p> <p>The Head of Governance (CAE) regularly tests compliance to the council’s counter fraud policies.</p> <p>Information concerning potential fraudulent activity is shared (National reports and Lancashire Audit Group).</p> <p>There is a Compliance Team within the contact centre that focus on investigating corporate fraud including fraudulent claims for council tax support, falsely claimed council tax and business rate discounts and exemptions and council tax and business rate avoidance cases.</p> <p>Staff were invited to attend fraud awareness training sessions given by NatWest in the Council Chamber in February 2020. These included guidance on avoiding personal and business fraud.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p> <p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p> <p>Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?</p>			There are no such engagements undertaken presently.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p>Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?</p>			<p>The Audit and Risk Management Section only facilitate the process and hold and maintain the risk registers.</p> <p>Risk owners are assigned for each risk identified and they are responsible for ensuring that risk is managed during the year.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2130 Control			
<p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> ■ Achievement of the organisation's strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 			<p>These areas are covered as part of the audit planning process.</p> <p>Audits of key financial systems are conducted every 2/3 years unless there are any major changes to controls.</p> <p>Strategic objectives / projects are risk managed at CMT/Head of Service level.</p> <p>Feedback from the Insurance Officer is used to evaluate adequacy of the safeguarding of council assets.</p> <p>Compliance with laws, regulation, policies, procedures and contracts are considered in each audit review.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?</p>			There are no such engagements undertaken presently.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

6.3 2200 Engagement Planning

Do internal auditors develop and document a plan for each engagement?

Does the engagement plan include the engagements:

- Objectives?
- Scope?
- Timing?
- Resource allocations?

A terms of reference document is developed and agreed for each audit review. This is held on the council's intranet.

Each of these criteria are documented in the terms of reference.

CONFORMS ✓

PARTIAL

NOT CONFORMING

Questions to consider			Evidence / comments
<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> ■ The objectives of the activity being reviewed? ■ The means by which the activity controls its performance? ■ The significant risks to the activity being audited? ■ The activity's resources? ■ The activity's operations? ■ The means by which the potential impact of risk is kept to an acceptable level? ■ The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? ■ The opportunities for making significant improvements to the activity's governance, risk management and control processes? 			<p>Each of these criteria are either documented in the terms of reference or the lead schedules.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)? 			<p>There are no audits performed for parties outside of the organisation.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ The respective responsibilities of the internal auditors and the client and other client expectations? <p>For significant consulting engagements, has this understanding been documented?</p>	<p>There are no such engagements undertaken presently.</p>	
<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>

Questions to consider	Evidence / comments			
2210 Engagement Objectives				
<p>Have objectives been agreed for each engagement?</p> <p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p> <p>Have internal auditors considered the probability of the following when developing the engagement objectives:</p> <ul style="list-style-type: none"> ■ Significant errors? ■ Fraud? ■ Non-compliance? ■ Any other risks? 	<p>Documented in the terms of reference.</p> <p>This is completed whilst formulating the terms of reference. Auditors will review previous audits, risk registers and other intelligence before undertaking each review. Risk profiles may also be used to assist in identifying further key risks.</p> <p>The terms of reference document identifies the core risk and the objective.</p> <p>The preliminary risk assessment will ensure each of these are covered.</p>			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">CONFORMS ✓</td> <td style="width: 33%; text-align: center;">PARTIAL</td> <td style="width: 33%; text-align: center;">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?</p> <p>If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?</p>	<p>The terms of reference are shared with Audit Committee members allowing such an evaluation to be undertaken when the audit report is published.</p> <p>A control matrix is used to evidence that all risks identified have been tested and that adequate controls are in place.</p>			
<p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p> <p>If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?</p>	<p>There are no instances where the criteria have been deemed inadequate.</p> <p>The 'value for money' aspect of any service / control is considered during each review.</p> <p>If there has been any work on VFM this will be documented within the report.</p>			

CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?</p> <p>Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?</p>			<p>The job description for the interim CAE arrangement with Lancaster City Council sets out the requirements of the role; in particular around governance, risk management and internal control.</p> <p>In addition the job description refers to compliance with the PSIAS which both organisations comply with.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<i>2220 Engagement Scope</i>			
<p>Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?</p> <p>Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties?</p> <p>Does this consideration include areas under the control of outside parties, where appropriate?</p>			<p>Agreed at the start of the audit. If during the audit the scope has to be extended to ensure the objectives of the audit are met, this is agreed with the Head of Governance (CAE) as it is likely to have resource implications.</p> <p>The terms of reference document identified the systems, records, premises and personnel the auditor will require assess to.</p> <p>Yes where applicable; i.e. review of YMCA.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?</p> <p>Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards?</p>			<p>There have been no such consulting opportunities that have arisen during an assurance engagement.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p>For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?</p> <p>If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?</p> <p>During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?</p> <p>During consulting engagements, were internal auditors alert to any significant control issues?</p>			<p>There are no such engagements undertaken presently.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<i>2230 Engagement Resource Allocation</i>			
<p>Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement based on:</p> <p>a) The nature and complexity of the individual engagement?</p> <p>b) Any time constraints?</p> <p>c) The resources available?</p>			<p>This is agreed when formulating the annual audit plan. The Head of Governance (CAE) is notified of any changes to the nature of the work, time constraints and resources available once the terms of reference have been agreed.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

2240 Engagement Work Programme

Have internal auditors developed and documented work programmes that achieve the engagement objectives?

Do the engagement work programmes include procedures for:

- Identifying information?
- Analysing information?
- Evaluating information?
- Documenting information?

Were work programmes approved prior to implementation for each engagement?

Were any adjustments required to work programmes approved promptly?

The auditor will plan the work required to meet the objectives of the audit. Standard templates are in place for this purpose.

Lead schedules and test schedules will document the objective, the information required, the testing completed, the findings and the overall conclusions and recommendations.

After the Audit Committee have approved the annual audit plan for the forthcoming year, the Senior Auditor will agree the work programme for each quarter with the Head of Governance (CAE).

Occasionally, work programmes are adjusted to take into consideration urgent work or investigations.

CONFORMS ✓

PARTIAL

NOT CONFORMING

Questions to consider	Evidence / comments			
6.4 2300 Performing the Engagement				
The questions in this section seek to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support engagement results and conclusions.				
2310 Identifying Information				
<p>Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?</p> <p>Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.</p>	<p>Checks are made during a full audit review by the Head of Governance (CAE) that the objectives of the audit have been achieved and that there is sufficient evidence to support any findings, conclusions and the overall opinion.</p> <p>Review notes are provided to the Senior Auditor after each review if further work is required or certain areas require clarification. Review notes will show if further information is required to support findings or if evidence is not relevant or reliable.</p>			
<table border="1"> <tr> <td data-bbox="197 868 443 919">CONFORMS ✓</td> <td data-bbox="443 868 725 919">PARTIAL</td> <td data-bbox="725 868 1167 919">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
2320 Analysis and Evaluation				
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?	Confirmed by the Head of Governance (CAE) for each audit performed by the Senior Auditor.			
<table border="1"> <tr> <td data-bbox="197 1066 443 1117">CONFORMS ✓</td> <td data-bbox="443 1066 725 1117">PARTIAL</td> <td data-bbox="725 1066 1167 1117">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented:</p> <ul style="list-style-type: none"> ■ Intentional wrongdoing? ■ Errors and omissions? ■ Poor value for money? ■ Failure to comply with management policy? ■ Conflicts of interest? 	<p>The key risks around these areas are identified at the start of the audit.</p> <p>The Senior Auditor is experienced in the areas she is required to audit throughout the council and remains alert to any weaknesses / control failings.</p> <p>Documented in standardised working papers.</p>			

CONFORMS ✓	PARTIAL	NOT CONFORMING	
2330 Documenting Information			
<p>Have internal auditors documented the relevant information required to support engagement conclusions and results?</p> <p>Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?</p>		<p>Standardised reports are used to document conclusions and findings along with a management action plan.</p> <p>A file review is conducted by the Head of Governance (CAE) to ensure working papers are referenced correctly and the file contains sufficient evidence to support any findings and the overall opinion.</p>	
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the CAE control access to engagement records?</p> <p>Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?</p> <p>Has the CAE developed and implemented retention requirements for all types of engagement records?</p>			<p>Access rights are documented in the Audit Charter. The audit reports state that the working papers can be viewed on request.</p> <p>Audit files have not been released to external parties other than the council's External Auditor.</p> <p>Information Asset Registers document the required retention periods for all audit records.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?</p>			<p>Retention periods are consistent with organisational and regulatory guidelines. At present audit files are retained for 7 years (6 plus current) in accordance with the Government Classification Scheme.</p>
2340 Engagement Supervision			
<p>Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?</p> <p>Is appropriate evidence of supervision documented and retained for each engagement?</p>			<p>File reviews, feedback and performance appraisals are used to ensure that training or development issues are highlighted.</p> <p>File reviews and performance appraisal documents are retained evidencing supervision.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
6.5 2400 Communicating Results			
<p>The questions in this section seek to confirm that internal auditors communicate the results of engagements in an appropriate way.</p>			
2410 Criteria for Communicating			
<p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> ■ The engagement's objectives? ■ The scope of the engagement? ■ Applicable conclusions? ■ Recommendations and action plans, if appropriate? 			<p>Audit reports are issued as appropriate to Corporate Directors, Heads of Service, key operational staff with the Audit Committee and the External Auditor reviewing all audit reports.</p> <p>A standardised report format is used ensuring that each of the criteria is communicated.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?			A closure meeting is arranged with the relevant officers to agree factual accuracy, findings and agree actions.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>If recommendations and an action plan have been included, are recommendations prioritised according to risk?</p> <p>If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?</p> <p>If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?</p>			<p>Wyre recommendations are given a priority risk rating of 1 to 5. Level 1 recommendations require immediate action and level 5 recommendations have no set timescales and include suggestions for improvements / efficiencies in service delivery.</p> <p>Lancashire County Council recommendations are prioritised as Extreme, High, Medium or Low and appropriate timescales can be agreed with the auditor.</p> <p>The action plan identifies the management response and timescales for action.</p> <p>The management response would only identify areas of disagreement where appropriate.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?</p>			<p>Evidence is disclosed in support of the audit conclusion subject to confidentiality requirements.</p> <p>The internal auditor's opinion and conclusions are clearly visible. Closure meetings are held with clients and audit reports are scrutinised by the Corporate Director Resources (Section 151 Officer) and reported to the Audit Committee.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300).</p> <p>Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?</p>			<p>Confirmed by the Head of Governance (CAE) who reviews all audit files.</p> <p>Satisfactory performance would be reflected in the overall conclusion issued.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?</p>			<p>Whilst the engagement results are not released to parties outside of the organisation other than the council's External Auditors, there is a paragraph within the report regarding the use of the report in respect of third parties.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?</p>			<p>Internal Audit have not been asked to provide assurance to any partnership organisations.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p>2420 Quality of Communications</p>			<p>All documents are reviewed by the Head of Governance (CAE). Review notes are provided to correct any work that does not meet quality standards.</p> <p>Closure meetings are also used to agree factual accuracy of the report and findings.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			<p>Feedback is used to ensure auditees are happy with how the audit was conducted.</p> <p>The client is provided with an opportunity to challenge whether they consider the report to be constructive as part of the closure meeting and again by attending Audit Committee if appropriate.</p> <p>The timeliness of reports is monitored and reported to Audit Committee.</p>
<i>2421 Errors and Omissions</i>			
If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?			The closure meeting is designed to identify and resolve any significant errors or omissions, however the report would be re-issued where necessary.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>			
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?			<p>Reported as part of the internal audit report annually in May.</p> <p>Owing to the Covid 19 epidemic there has been significant delays with starting work. Six pieces of work from the 2019/20 audit plan have yet to be completed and will be carried forward to the 2020/21 audit plan if the work is still required.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2431 Engagement Disclosure of Non-conformance			
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:			No specific engagements have been impacted on by non-compliance with the PSIAS.
<ul style="list-style-type: none"> ■ The principle or rule of conduct of the <i>Code of Ethics or Standard(s)</i> with which full conformance was not achieved? ■ The reason(s) for non-conformance? ■ The impact of non-conformance on the engagement and the engagement results? 			
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
2440 Disseminating Results			
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?			Reporting arrangements are documented within the Audit Charter.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Has the CAE communicated engagement results to all appropriate parties?			Audit reports are issued as appropriate to Corporate Directors, Heads of Service, key operational staff with the Audit Committee and the External Auditor receiving all audit reports.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Before releasing engagement results to parties outside the organisation, did the CAE:			Engagement results have not been released to parties outside the organisation other than the council's External Auditors.
<ul style="list-style-type: none"> ■ Assess the potential risk to the organisation? ■ Consult with senior management and/or legal counsel as appropriate? 			
<ul style="list-style-type: none"> ■ Control dissemination by restricting the use of the results? 			
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	There are no such engagements undertaken presently.	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A

Questions to consider	Evidence / comments			
2450 Overall Opinion				
<p>Has the CAE delivered an annual internal audit opinion?</p> <p>Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?</p> <p>Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?</p> <p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?</p>	<p>Yes - Presented to Audit Committee in June.</p> <p>The annual audit report is scrutinised by the Corporate Director Resources (Section 151 Officer) and presented to Audit Committee for consideration.</p> <p>See report presented to Audit Committee in June.</p> <p>Owing to the Covid 19 epidemic; emergency powers have been introduced to allow the Section 151 or Head of Governance in consultation with the Chair to consider reports and make decisions. To allow for complete independence, should the Section 151 Officer or the Head of Governance be the report authors, they will not make any decisions and so this may see a change in decision maker to allow for this.</p>			
<table border="1"> <tr> <td data-bbox="194 740 443 1023">CONFORMS ✓</td> <td data-bbox="443 740 725 1023">PARTIAL</td> <td data-bbox="725 740 1146 1023">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>Does the communication identify the following:</p> <ul style="list-style-type: none"> ■ The scope of the opinion, including the time period to which the opinion relates? ■ Any scope limitations? ■ The consideration of all related projects including the reliance on other assurance providers? ■ The risk or control framework or other criteria used as a basis for the overall opinion? <p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?</p>	<p>All areas documented in the Annual Audit report.</p> <p>In providing an overall opinion on the council's system of internal control, it should be noted that assurance can never be absolute. Internal audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed.</p> <p>Where a qualified or unfavourable opinion was given this would be fully explained in the annual audit report.</p> <p>See annual governance statement and section entitled 'review of</p>			

Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?			effectiveness’.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> ■ The annual internal audit opinion? ■ A summary of the work that supports the opinion? ■ A disclosure of any qualifications to the opinion? ■ The reasons for any qualifications to the opinion? ■ A disclosure of any impairments or restriction in scope? ■ A comparison of work actually carried out with the work planned? ■ A statement on conformance with the PSIAS? ■ The results of the QAIP? ■ Progress against any improvement plans resulting from the QAIP? ■ A summary of the performance of the internal audit activity against its performance measures and targets? ■ Any other issues that the CAE judges is relevant to the preparation of the governance statement? 			<p>See annual audit report considered by the Audit Committee in June.</p> <p>Internal review feedback forms are referred to along with a comparison of the work actually carried out compared to that planned.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider	Evidence / comments		
6.6 2500 Monitoring Progress			
<p>The questions in this section seek to confirm that a system is in place to monitor effectiveness of audit communications results to management, including appropriate follow up when no action is taken by management.</p> <p>Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?</p>			
<p>Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?</p> <p>Do the results of monitoring management actions inform the risk- based planning of future audit work?</p>	<p>At the end of each financial year a sample of recommendations will be selected to ensure they have been implemented as intended.</p> <p>Whilst no significant issues have arisen during 2019/20, up-to-date action plans would be provided with new actions required / dates etc. The audit opinion would not be changed until the next full review.</p> <p>If there has been little progress made in implementing recommendations, it is highly likely that the audit will feature on the next year's audit plan.</p>		
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Does the internal audit activity monitor the results of consulting engagements as agreed with the client?		There are no such engagements undertaken presently.	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
6.7 2600 Communicating the Acceptance of Risks			
<p>This section considers the arrangements which apply if the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation.</p> <p>Situations of this kind are expected to be rare. PSIAS 2600 sets out communication requirements for the CAE. It is not the responsibility of the CAE to resolve the risk.</p>			

<p>If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?</p> <p>If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?</p>	<p>The Head of Governance (CAE) has not concluded this to date but would refer the matter to the Corporate Director Resources (Section 151 Officer).</p> <p>The Head of Governance (CAE) has not concluded this to date but would if appropriate refer the matter to the Audit Committee.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Report of:	Meeting	Date	Item no.
Head of Governance	Audit Committee	16 June 2020	5

INTERNAL AUDIT ANNUAL REPORT 2019/20

1. Purpose of report

1.1 To consider the Internal Audit Annual Report for 2019/20 and review progress in relation to risk management activity.

2. Outcomes

2.1 Effective leadership of audit and governance issues allowing the Council to demonstrate that arrangements are in place to maintain a sound system of internal control.

3. Recommendation

3.1 Members are asked to consider the Internal Audit Annual Report attached at Appendix 1, the Risk Management Progress Report at Appendix 2 and the Strategic Risk Review at Appendix 3.

4. Background

4.1 The Internal Audit Annual Report is produced in order to meet the requirements of the Public Sector Internal Audit Standards and to assist in meeting the Accounts and Audit Regulations 2015. The report provides details of audit coverage and of the work carried out by the section and contains the Chief Internal Auditor's opinion of the overall level of control in operation.

4.2 The Audit Committee's role in relation to reviewing the work carried out includes formal consideration of summaries of work done, key findings, issues of concern and actions in hand as a result of audit work. A key part of the role is receiving and reviewing regular reports from the Head of Governance (Chief Internal Auditor) in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage. The Audit Committee has a clear role in relation to the authority's internal audit function and this involves:

- Formally approving, but not directing, the overall strategy to ensure that it meets the council's overall strategic direction;
- Agreeing the annual audit plan (paying particular attention to whether there is sufficient and appropriate coverage); and
- Monitoring progress against the plan and assessing whether adequate skills and resources are available to provide an effective audit function.

5. Key issues and proposals

- 5.1 The Internal Audit Annual Report, Risk Management progress report and Strategic Risk review are attached at Appendices 1, 2 and 3.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Effective audit and risk management assist in good governance and probity of Council actions.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

report author	telephone no.	email	date
Joanne Billington	01253 887372	Joanne.billington@wyre.gov.uk	27.05.2020

x

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Internal Audit Annual Report 2019/20

Appendix 2 – Risk Management Progress Report – Operational, Strategic BREXIT and ICT Risks

Appendix 3 – Strategic Risk Review

INTERNAL AUDIT ANNUAL REPORT 2019/20

The Internal Audit and Risk Management Section is responsible to the Corporate Director Resources (S151 Officer) for carrying out a continuous examination of the accounting, financial and other operations of the council in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015. The latter states that **“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk”**.

Members of the Audit Committee should note that copies of internal audit reports are published on the council’s intranet. Access to the supporting files is available to members of the Audit Committee on request.

Wyre Council continues to be represented on the Lancashire District Council’s Audit Group and we continue to participate in the National Fraud Initiative data sharing exercise and work closely with the Association of Local Authorities Risk Managers (ALARM) and our insurer, Zurich Municipal.

Internal Audit continues to provide the council with the necessary assurance about its various activities and associated systems, as outlined in the council’s Internal Audit Charter.

Following work carried out around operational assurance mapping, there was no requirement to utilise the best value partnership in place with Lancashire County Council during 2019/20. However, a rolling 12 month contract will be maintained to ensure the necessary contingencies are in place should LCC’s services be required in 2020/21. All the audit work completed in 2019/20 has been completed by the in-house Senior Auditor. Internal audit work is benchmarked where possible against the work carried out by LCC to ensure that quality and standards are maintained.

Electronic internal feedback review forms are distributed after each audit review. In 2019/20 the feedback received indicated that auditees value the work of internal audit and that the Internal Audit service continues to be highly regarded across the organisation.

The audit plan for 2019/20 comprised a total of 17 audit reviews. Eight pieces of work have been completed successfully within the agreed number of days and within budget. Three pieces of work have still be finalised.

Owing to Covid-19 pandemic and the Senior Auditor providing cover and then training and mentoring the new Insurance Officer from July 2019, six pieces of work have not been completed (see table below). A risk assessment will be completed by the Head of Governance to decide which pieces of work from the 2019/20 plan will still need to be completed and therefore rolled to the 2020/21 audit plan. This may mean that a number of pieces of work from the 2020/21 audit plan (already approved by the Audit Committee in February 2020) may have to slip to the 2021/22 audit plan and others may not be carried out. In addition, there may be a number of other pieces of work that may also need to be included to cover ‘Covid-19 related activities’, for example on grant payments made to businesses across the borough.

Audit Work Performed in 2019 / 2020

Summarised below are the reviews that have completed in 2019/20. Final reports are published in full on the council's intranet site.

AUDIT OPINION DEFINITIONS

Excellent	Controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council / Partnership against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.
Good	Controls exist to enable the achievement of service objectives, good corporate governance and reduce significant foreseeable risks. However, occasionally instances of failure to comply with the control process were identified and opportunities still exist to reduce potential risks.
Fair	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and leave the Council / Partnership exposed to some minor risk. There is therefore the need to introduce some additional controls and improve compliance with existing controls to reduce the risk to the Council / Partnership.
Weak	Controls are considered inefficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Council / Partnership open to significant risk, which could lead to major financial loss, embarrassment or failure to deliver service objectives.
Poor	Controls are generally weak or non-existent leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore unmanaged.

DEFINITION OF PRIORITY RANKINGS

Level 1	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which could have a <u>material effect</u> on the Council's finances or, a lack of or serious weakness in key control(s) which may impact on the Council's finances or operational performance.	Immediate Action Required
Level 2	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which have a <u>minor effect</u> on the Council's finances or operational performance.	Within 3 months
Level 3	A lack of, or weakness in an internal control which does not pose an immediate high level of risk, but if left unresolved could expose the Council to financial losses or reduce operational performance.	Within 6 months
Level 4	Suggestions for improvement of internal controls of a minor nature.	Within 9 months
Level 5	Suggestions for improvements, efficiencies in service delivery.	None

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Fleetwood Ferry	Final Report Issued November 2019	0	5	0	0	0	Fair	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Evidence of the annual inspections carried out by the council to verify compliance with the conditions of service could not be located; • Details of the dredging carried out by the contractor since September 2018 has not been received; • Attendance by Members at the meetings of the FSWG has been difficult to obtain and bi-annual meetings have not taken place; • No financial information or details of the maintenance and repairs to the ferry vessel have been requested from the contractor and considered by the FSWG; and • Information regarding complaints / compliments and publicity campaigns have not been obtained and reviewed by the FSWG.
Inspection Regimes – External Contractors	Final Report Issued May 2020	0	4	0	0	0	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Training for staff responsible for managing external contractors has not been completed since 2017;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • An assessment of the likely risks to the contractor, staff and the public is not completed by the council and communicated to the contractors during the procurement stage of the contracted works in all instances; • Evidence of the contractors risk assessments and safe working procedures are not requested prior to the start of the contracted works in all instances; and • Documented inspections of the work being undertaken are not completed in all instances.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Street Cleansing	Final Report Issued May 2020	0	6	0	0	0	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The 2019 staff appraisals are still outstanding for a number of staff; • An annual review of the risk assessments compiled for team has not been completed in 2019 and communicated to staff; • Ad-hoc sheets are not routinely completed by all sweeper drivers to report any changes / delays to the street cleansing schedule allocated to them; • Supervisor checks are not consistently completed covering both the sweepers and bin collections / litter picking rounds; • CRM reports are not raised for areas classified C or D following completion of the NI 195 survey; and • Council response times for street cleansing requests do not comply with those set out in the Code of Practice.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Waste Management – contract renewal	Final Report Issued June 2020	0	1	1	0	0	Excellent	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The lease agreement for the Copse Road Depot has still to be finalised; and • Quarterly meetings of the Service Development Board have not been held since May 2019.
Inspection Regimes – Site Inspections	Draft report issued							The overall objective of the audit is to review the controls in place around the management of site inspection regimes and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.
Grant Management	Fieldwork in progress							The overall objective of the audit is to review the controls in place to manage grant funding where the council have accountable body responsibilities and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.
Planning – Local Authority Education Contributions	Fieldwork in progress							The overall objective of the audit is to review the controls in place to manage Local Authority Education Contributions in relation to planning applications and to identify any

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively. This is a joint piece of work with Lancaster City Council.
FOI / EIR	No report Issued	N/A	N/A	N/A	N/A	N/A	Good	<p>This piece of work was added to the 2019/20 audit plan as it was expected that legislation due to be reviewed in early 2019 may have an impact on how FOI's/EIRs were processed. However, it is understood from the Head of Legal that the legislation changes were not approved, therefore no further assurance work was required. However it was agreed that refresher training was required to ensure members of staff are consistently applying the current legislation requirements when processing FOI's / EIR's. Therefore, training was arranged for the 14 May with '2040 Ltd, however as a result of the Covid-19 epidemic this was postponed. A date has yet to be arranged.</p> <p>Additional work was completed to ensure the council is making use of 'data sets' to ensure the council is not responding to repeat requests in certain areas. Testing identified that data sets are used where possible and the FOI team monitor this on an on-going basis.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of 'good' is appropriate</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								given that the council is still considered to be complying with FOI/EIR legislation and further refresher training has been arranged for later in the year.
Wyre Community Lottery	No Report Issued	N/A	N/A	N/A	N/A	N/A	Good	<p>A piece of work was completed prior to the start of the launch of Wyre Community Lottery to give assurance in the following areas;</p> <ul style="list-style-type: none"> • Contract and application process; • Licensing and funding arrangements; • Website and marketing; and • Compliance with GDPR. <p>An action plan was formulated in December 2019 and it was confirmed in March 2020 that all actions raised have been addressed. It has been agreed with the Corporate Director Resources that a further piece of assurance work will be completed later in the year when a number of draws have been completed to ensure all parties are adhering to contractual arrangements.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of ‘good’ is appropriate given that all the actions identified prior to the start of the lottery have been implemented. However, in order to give the area of work an ‘excellent’ overall opinion, further assurance is still required as above.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Finance – Assurance of segregation of duties and resources capacity	No Report Issued	N/A	N/A	N/A	N/A	N/A	Good	<p>The Corporate Director Resources requested that a risk workshop be facilitated by the Head of Governance and the Senior Auditor with the Finance Team to identify any operational risks or pressure points that have or may arise given recent staff turnover and if any additional controls are required whilst the team gets back to full capacity.</p> <p>Two workshops were held in March 2020 in which all staff participated in identifying risks and pressure points. A comprehensive list of required actions and gaps in resourcing was identified and addressed accordingly.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of ‘good’ is appropriate given that the Finance Team have been proactive in identifying current and future risks and have put in place further controls or resources to address any shortfalls or weaknesses. Whilst the authorised signatory list was reviewed at the time of the workshops and was considered accurate, it is acknowledged that changes in staffing are to follow. This includes two members of the team who left in 2019/20 and have since been reappointed and will return in June/July. It is recommended that the new Head of Service (to start 15 June) holds a similar workshop in the first three months of their employment to review and re-assign roles and</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								responsibilities, following which the authorised signatory list can then be updated.
Marine Hall	No Report Issued	N/A	N/A	N/A	N/A	N/A	Good	<p>Up until December 2019, the Senior Auditor was carrying out quarterly reviews of the Marine Hall to monitor the progress made in addressing the recommendations made in the 2017/18 audit review. At the last review, it was reported that good progress was being made and that the majority of actions had been implemented or work was in progress. The review in March 2020 was postponed owing to the Covid-19 epidemic. Once staff resume normal duties, quarterly reviews will continue.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of ‘good’ is appropriate given that the majority of recommendations have been implemented and good progress is being made to address the other actions. However further work is still required around budgeting. Whilst the last quarterly review was postponed, budget monitoring was also raised at the finance risk workshop in March 2020, so it is assumed that this has yet to be addressed by Marine Hall.</p>
Beach Management Scheme								This was due to start in March 2020, however owing to the pandemic this piece of work has been put on hold pending a return to a more business as usual recovery phase.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
CIVICA Pay (replaces PARIS and Go-cardless)								This piece of work was due to start in March 2020, however owing to the pandemic this project has been put on hold pending a return to a more business as usual recovery phase.
Citizens' Access Portal								This piece of work was due to start in March 2020, however owing to the pandemic this project has been put on hold pending a return to a more business as usual recovery phase.
Better Care Fund								This piece of work was due to start in April 2020, however owing to the pandemic this piece of work has been put on hold pending a return to a more business as usual recovery phase.
Disaster Recovery								This piece of work was due to start in April 2020, however owing to the pandemic this piece of work has been put on hold pending a return to a more business as usual recovery phase.
Council Tax – Recovery Policy and Procedures								This piece of work was due to start in March 2020, however owing to the pandemic this piece of work has been put on hold pending a return to a more business as usual recovery phase.

Other audit work undertaken:

National Fraud Initiative – Cabinet Office data matching exercise

The council is currently participating in the 2019/20 data matching exercise. Following the upload of the necessary data in September 2019, the council has received the data matches that require investigation. However, progress on reviewing the data matches has been slow initially due to resourcing and recently owing to the officers who normally process the matches carrying out Covid-19 related activities. Once the results of the data matching exercise have been completed, these will be reported to the Audit Committee.

Following a number of years of relatively low value results, a review of the NFI data matching exercise will be completed later in the year to identify any best practice measures we don't currently undertake. The review will include comparing Wyre's approach to other local councils to identify any improvements to current practice that are worthwhile adopting to improve value for money.

Information governance – Data Protection Officer's (DPO) judgement of security and use of business assets

The new Data Protection Act 2018 and the enshrined General Data Protection Regulations (GDPR) came into force in May 2018. Since this time the Data Protection Officer has been working with the Information Governance Group and the Senior Auditor to ensure compliance. Significant work was completed in 2018/19 and work has continued to ensure the council is compliant to all legislation. Whilst GDPR compliance is no longer on the council's strategic risk register, it continues to be an operational risk and still features in the Head of Governance's Service Plan. GDPR compliance is also regularly reported to the Corporate Management Team and the Audit Committee. Whilst there are a number of pieces of work that still need to be completed (see below) it is the opinion of the DPO that the council is therefore overall compliant with the Act and the GDPR. This opinion will be validated by an external assessment later in the year.

Additional points to note are as follows;

- Following the approval of the Data Protection Policy and Procedures at Audit Committee in November 2019, the Policy and Procedures have now been embedded into the Corporate Induction process and also rolled out to all existing staff via BRIAN and Heads of Service. All staff are being asked to sign a declaration to verify they have read and understood the content. There are still a number of services who have not returned their declarations and a number of officers have also raised that they have not completed the e-learning software that is mentioned in the policy as they arrived after the initial training dates in April 2018. It is has been agreed

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that these staff can hold off signing the policy until training has been completed. A list will be held by the Head of Governance of any staff who have not completed any GDPR / information governance training and / or have not signed the declaration for that reason. Unfortunately, the E-learning software used in the past is now considered to be out of date, therefore the Head of Business Support is in the process of looking at alternative training platform, which includes GDPR / Information Security training modules.

- The council continues to ensure all its privacy notices are kept up to date and published on the council's website.
- The Information Governance Group continues to meet regularly. An agenda is published in advance of the meetings and an action plan is updated following each meeting and is followed up by the Head of Governance shortly after the meeting. This is also shared with the Corporate Management Team (CMT). The information governance group meetings have now been synchronised to align with the quarterly CMT Chief Internal Auditor and Data Protection update meetings. However owing to Covid-19 the last meeting was cancelled.

Further work to be completed during 2020/21

- The GDPR compliance piece of work rolled from the 2019/20 audit plan that was scheduled to take place in summer 2020 has been postponed owing to the Covid-19 epidemic. This work will hopefully be re-scheduled for later in the year subject to the availability of the external provider that was completing the work. In the meantime, the Head of Governance will utilise the report following the Lancaster City Council piece of work to identify any weaknesses in the systems and processes at Wyre and implement improvements where required.
- The Information Governance Manager is in the process of developing guidance for internal staff on Subject Access Requests and carrying out a data breach investigation. This guidance will be published on BRIAN.
- Owing to Covid-19, the pre-council GDPR training session and the FOI / EIR refresher training for staff has been postponed. It is hoped that both these training sessions will be re-arranged later in the year; subject to availability of the external trainer.

Anti-Fraud and Corruption

All the council's counter fraud policies are reviewed annually by the Audit Committee. They are located on BRIAN to allow staff and Elected Members easy access.

An Ethical Governance Survey was completed by the Head of Governance in 2019 to test staff knowledge and understanding of these policies. An action plan of the findings and any subsequent recommendations required to address any gaps in knowledge and understanding was published on the council's intranet.

Whistleblowing / Investigations

There have been no whistleblowing calls during 2019/20 that have required internal audit investigation.

Gifts and Hospitality (Received and Provided)

The Audit and Risk Management Team maintain the register of gifts and hospitality and provide advice when necessary. There is an online E-form which staff are required to complete on receipt of any gift or hospitality. The E-form is then passed to the Head of Governance to be included on the Council's register. Since 1 April 2019 there have been 20 gifts and hospitality items registered, compared to 20 items registered in 2018/19. The register has been examined by both the Audit Committee and the Council's Monitoring Officer. A reminder was issued to staff in December 2019 about the policy and the need to report any gifts or hospitality received. The Ethical Governance Survey tested staff knowledge and understanding of the content and results showed that 97% of those responded to the survey (95 members of staff) had either a 'good' or a 'reasonable' understanding of the policy.

Effectiveness of Internal Audit Review

In accordance with the Accounts and Audit Regulations 2015, paragraph 6 (1) requires the relevant body, each financial year to conduct a review of the effectiveness of its system of internal audit. The review recognises the important role that internal audit play in the assurance process and the need to continually ensure that it remains effective. The last annual review completed by the Head of Governance and ratified by the Head of Finance (Section 151 Officer) in May 2020 identified no issues that required following-up or reporting in the 2019/20 Annual Governance Statement.

In addition, in order to comply with the PSIAS an external assessment must be conducted at least once every five years by a qualified independent assessor or assessment team from outside the organisation. External assessments can be in

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the form of a full external assessment, or a self-assessment in-house with independent external validation. It was agreed by the Lancashire District Chief Auditors group and validated by the Audit Committee, that peer reviews would be used to obtain the independent external validation. Wyre Council's assessment was completed in April 2018. The report was presented to the Audit Committee on the 19 June. Only three minor issues were identified, all of which have been considered and implemented where appropriate. The next peer review is scheduled for February 2023.

Quality Assurance Improvement Programme

In accordance with the PSIAS, the Chief Internal Auditor (Head of Governance) must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal; and external assessments.

The internal assessments include the following:

- An annual self-assessment of the effectiveness of the audit service using the PSIAS. From this assessment an action plan highlighting areas for improvements will be developed. The results of this exercise are reported to the Audit Committee in May each year; six monthly monitoring of the internal audit activity to the Audit Committee; and
- Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the section's Audit Charter and also in the PSIAS.

External assessments include:

- A five yearly independent assessment of compliance to the PSIAS;
- An annual review of the Council's Annual Governance Statement which accompanies the Statement of Accounts;
- Regular attendance at the Audit Committee by the Council's External Auditor with the opportunity to meet in private with the Committee; and
- The External Auditors and the Audit Committee review and challenge all internal audit reports.

Compliance to the Public Sector International Audit Standards (PSIAS)

In April 2014, the International Standard setters developed a comprehensive set of standards (PSIAS) that are expected to be in place within any effective audit organisation. The PSIAS replaced CIPFA's 'Code of Practice for Internal Audit in Local Government'. The PSIAS requires that areas of non-compliance with the PSIAS Definition of Internal Auditing and the Code of Ethics are reported in the

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Annual Audit report and that significant deviation requires inclusion in the Council's Annual Governance Statement. Following the external validation in April 2018 and the annual self-assessment dated May 2020 there are no deviations to report in the 2019/20 Annual Governance Statement.

COMPLIANCE TEAM

Wyre's Compliance Team investigates alleged irregularities across a range of areas. These include but are not limited to:

- Investigating false claims for Council Tax Single Person Discount and other Council Tax discounts/exemptions,
- Investigating false claims for Localised Council Tax Support (LCTS);
- Business Rate Avoidance issues including identifying unregistered businesses, identifying falsified business rate relief claims and investigating the use of insolvency legislation to avoid liability;
- Identifying unregistered domestic properties, referring them to the Valuation Office Agency for entry into the local Council Tax rating list;
- Identifying unregistered non-domestic hereditaments, referring them to the Valuation Office Agency for entry into the Non-Domestic rating list;
- Conducting general benefit review cases, identifying changes in circumstances and recalculating entitlements accordingly; and
- Recovery of overpaid Housing Benefit, Council Tax Arrears, Business Rate Arrears and Sundry Debts.

The council introduced in 2018/19 a civil penalty (low level fines) regime for both Council Tax and Housing Benefit for people who fail to report changes in circumstances resulting in overpayments which do not meet the Single Fraud Investigation Service current investigation threshold. To date, 132 Housing Benefit and 47 Council Tax penalties have been issued.. The team also concentrate some of its resources on mostly preventative functions such as fraud awareness training.

INTERNAL CONTROL SYSTEM

In accordance with the Audit and Accounts Regulations 2015, Internal Audit is required to form an opinion on the adequacy and effectiveness of the council's internal control environment, which includes consideration of any significant risk or governance issues and control failures that have been identified throughout the year.

In providing an overall opinion on the council's system of internal control, it should be noted that assurance can never be absolute. Internal Audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed. In arriving at an opinion, consideration is given to:

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- The findings from the audit work undertaken during the year;
- The amount of audit work undertaken in the year compared with work planned;
- The results of follow up action in respect of audit work;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks; and
- The issues identified in the Annual Governance Statement.

The table below shows the total number of completed pieces of work by Wyre Council during 2019/20 and the overall audit opinion that was given.

Wyre Council Reports Completed / Reports Issued

Audit Opinion	Excellent	Good	Fair	Weak	Poor	Total
Number of Audits	1	6	1	0	0	8

Of the seventeen pieces of work agreed in the 2019/20 audit plan, eight pieces of work have been completed. However, as explained in the table earlier in this report, no reports were issued in four instances. For the purposes of this report an overall opinion was still issued.

In addition, three pieces of work have still to be finalised and six pieces of work have unfortunately been delayed.

Chief Internal Auditor's opinion on the council's internal control environment

It is pleasing to see that of the work completed, no areas of work have been given either a 'weak' or poor' audit opinion.

Whilst three reports have still be finalised and six pieces of work have yet to be started, it is my opinion that of the work completed 'adequate' assurance can be given that the council has satisfactory controls in place in the areas audited to be able to maintain an adequate and effective internal control environment.

Whilst this 'adequate' overall opinion will be reported in the Council's Annual Governance Statement for 2019/20, the council should be mindful of the limited coverage during the year owing to the Covid-19 pandemic and limited resources which lead to the delay in work completed at the start of the year.

RISK MANAGEMENT PROGRESS REPORT

RISK MANAGEMENT PROGRESS REPORT

Strategic Risks

The Corporate Management Team (CMT) met on the 10 February 2020 to carry out the annual strategic workshop. The results of this workshop can be found at Appendix 3 to this report. The next quarterly update is due to be completed on the 22 July 2020.

Operational Risks

Progress on the embedding of risk management is reported to the Audit Committee via six monthly reports by the Head of Governance. This is in line with the council's Risk Management Policy, originally approved by Cabinet in April 2004 and reviewed and approved annually by the Audit Committee.

Risk workshops are normally held in February / March each year following the strategic risk workshop, with each service unit identifying any new risks that may occur during the year preventing the achievement of individual service plans. It is also an opportunity to review progress made in respect of any existing risks, remove risks that are no longer valid and action plan to mitigate against identified risks wherever possible. Owing to the Covid-19 epidemic, risk workshops have not been completed, however the Senior Auditor has liaised with all Heads of Services asking for updates. All staff who have responsibilities for identified risks are encouraged to review their risks and update their action plans continually throughout the year. However a prompt is issued to staff in October to ensure progress is documented.

The council is currently using spreadsheets to assist with the management of operational risks and these can be viewed by following the link below. The Audit Committee are encouraged throughout the year to go and view the risks identified by each service unit and ensure progress is being made to mitigate

each risk and challenge officers in the instances where no progress has been made.

<http://intranet/services/RiskManagement/Pages/default.aspx>

Brexit Risks

In preparedness for the UK leaving the European Union in January 2020, the council populated a BREXIT risks register which is reviewed on a regular basis following updates from Central Government, CMT and Head of Services. The BREXIT register can be found on BRIAN by following this link

<http://intranet/services/Brexit/SitePages/Home.aspx>

ICT Risks

In 2017, SOCITM carried out an independent review of the council's ICT Service. A number of high level recommendations were made to improve the delivery of the service, one being the identification and compilation of an ICT risk register. This was completed in January 2018 and is reviewed quarterly by the Corporate Director Communities, Head of ICT and the Senior Auditor. The last review was completed on the 3 March 2020 and the results of this review can be found on BRIAN by following the link below. The next review is scheduled for the 2 June 2020. However due to the current working arrangements owing to the COVID-19 epidemic, this review will be completed remotely.

<http://intranet/services/RiskManagement/Pages/default.aspx>



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Wyre Council - Audit and Risk Management

STRATEGIC RISK REVIEW

10 February 2020

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Appendix B - Risks above the appetite

Appendix C - Risks below the appetite

Appendix D - Risks removed from the register

Report Preparation

Report prepared by: Karen McLellan, Senior Auditor
Telephone: 01253 887325

Report Distribution

This report has been issued to:

- Garry Payne – Chief Executive
- Marianne Hesketh – Corporate Director Communities
- Mark Billington – Corporate Director Environment
- Clare James – Corporate Director Resources
- Joanne Billington – Head of Governance
- Cllr L McKay – Audit Committee Chairman

1. Introduction

- 1.1 On the 10 February 2020 a strategic risk management workshop was facilitated by the Senior Auditor for Wyre Council in accordance with the council's annual risk management process.
- 1.2 This exercise was attended by the Corporate Management Team and Head of Governance. The session provided an opportunity to review the existing strategic risk register for Wyre Council and to identify and prioritise any new risks facing the Council in its delivery of its business plan for 2020/21.

2. Executive Summary

- 2.1 The last half yearly review of the strategic risk register was completed in October 2019 by the Corporate Management Team. This exercise allowed any changes since then, both in circumstance and direction, to be identified and reflected in the revised risks.
- 2.2 During the most recent review the group identified one new risk and concluded that two of the original eight risks could be removed from the register. (Appendix C describes the risks and the reason for their removal from the register.) The six risks remaining from the original register were reviewed in terms of likelihood and impact resulting in four retaining the same rating and two being amended.
- 2.3 A review of the risk appetite was completed resulting in the low likelihood and catastrophic impact risks falling below the risk appetite. There are now seven risks above the risk appetite. The completed matrix is shown in Appendix A.
- 2.4 Following the assessment the seven risks above the risk appetite are as follows:

Risk Number	Description
18	Central government funding is insufficient to maintain the current level of service.
23	The combination of the efficiency programme and delivery of commercial projects is insufficient to meet the funding gap identified in the latest financial projection.

26	Insufficient capital receipts are received from the sale of council assets or revenue underspends resulting in a failure to deliver council projects.
42	Business Rates Retention Reforms result in insufficient or unpredictable ongoing revenue to fund statutory services.
43	The Digital Wyre Strategy is not delivered due to a lack of staff capacity and broader issues with software providers.
46	The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff.
47	The return from council assets is not maximised resulting in a failure to reduce council subsidy.

- 2.5 The risks above the risk appetite (Appendix B) will now be managed and monitored to ensure that they do not hinder the delivery of the Council's objectives. A risk owner for each of the risks has been identified and it is their responsibility to ensure that an action plan is developed that clearly demonstrates how the risk will be managed.

3.0. Approval

- 3.1 The revised risk register will be reported to the Audit Committee and a copy of the risk register is available to view on the council's intranet.

4.0. Monitoring

- 4.1 Reviewing or monitoring of risks is twofold. Firstly the action plans to manage the risks should be regularly monitored and secondly the risks above and below the line should be reviewed in terms of their position on the matrix. Quarterly reviews of the action plans will be completed to demonstrate that risks above the appetite are being actively managed, with a half yearly review of all risks being completed in October 2020.

5.0. Directorate operational risk registers

- 5.1 In accordance with the council's risk management processes, a review of the directorate operational risk registers will also be undertaken in March 2020 to review the risks currently recorded on the operational risk registers and to identify and prioritise any new risks facing each directorate in the delivery of their service plans for 2020/21.

Appendix A - Risk Profile

Page 98
Likelihood

A			18 23 26 42 46 47	
B			43	
C				
D				
E				
	IV	III	II	I

Likelihood: A - High
 B- Significant
 C - Low
 D - Very Low
 E - Almost Impossible

Impact: I - Catastrophic
 II - Critical
 III - Marginal
 IV - Negligible

Impact

Appendix B – Strategic risks above the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
18	Critical / High	Central Government funding is insufficient to maintain the current level of service.	Central government funding provided to each authority has only been announced for one year (2020/21). As such uncertainty regarding future funding levels remains owing to the Fair Funding Review and other funding reforms. Based on current spending the funding gap in 2024/25 is £2.6m.	<ul style="list-style-type: none"> • Further savings will need to be identified • The 4 year business plan may need to be reviewed in accordance with resources available • Negative impact on staff resulting from uncertainty about the future 	Clare James
23	Critical / High	The efficiency programme is insufficient to meet the funding gap identified in the latest financial projection.	The council has identified a number of projects that will help to reduce the gap between expenditure and income reflected in the latest MTFP. However, further projects will be required to achieve the level of savings required.	<ul style="list-style-type: none"> • Additional savings / cuts in services may be required • Members' trust in the Corporate Management Team and the SLT to deliver future savings will be affected • The impact of further reductions in government grants will be exacerbated 	CMT

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
26	Critical / High	Insufficient capital receipts are received from the sale of council assets or revenue underspends resulting in a failure to deliver council projects.	Future capital investment is dependent on capital receipts from the sale of council assets and the achievement of revenue underspends at outturn.	<ul style="list-style-type: none"> • Additional savings / cuts in services will be required • Additional borrowing costs will exacerbate the funding gap • Assets will deteriorate and maintenance costs will increase • Resident satisfaction levels will reduce 	CMT
42	Critical / High	Business Rates Retention Reforms result in insufficient or unpredictable ongoing revenue to fund statutory services.	Business Rates Reform leads to volatile funding (impact of radical changes planned with regular baseline resets, economic recession and large appeals).	<ul style="list-style-type: none"> • Pooling arrangements for 2020/21 have been agreed at 50%. An additional reserve may be required to mitigate the impact of any future reductions in funding redistributed by central government and to smooth the impact over a transitional period. • Further consequences linked to those risks 18 and 23. 	Clare James

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
43	Critical / Significant	The Digital Wyre Strategy is not delivered owing to a lack of staff capacity and issues with software providers.	The Digital Wyre Strategy is a key project within the 2020/21 business plan and there is concern that there is a lack of staff capacity to deliver the projects within this and broader issues with software providers.	<ul style="list-style-type: none"> • Projects are not delivered • Loss of reputation • Staff frustration as services are not improved 	Marianne Hesketh
46	Critical / High	The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff.	The council are experiencing difficulty in attracting and retaining staff in key service areas owing to competing salaries at neighbouring authorities and the private sector.	<ul style="list-style-type: none"> • Loss of knowledge / experienced staff • Unable to recruit qualified / skilled staff • Council projects are not delivered • Existing resources are stretched 	CMT
47	Critical / High	The financial return from council assets is not maximised resulting in a failure to reduce council subsidy.	A number of council assets and the services operated from these buildings i.e. YMCA / Marine Hall are subsidised by the council. However, there is a risk that the projected reductions in the current subsidy are not achieved leading to potential increases in council expenditure.	<ul style="list-style-type: none"> • Expected returns from council investment are not achieved • Increases in council expenditure • Reduced income 	CMT

Appendix C - Risks removed from the register

Risk number	Reason for removing from register	Risk Description	Vulnerability	Consequence
45	Following the UK withdrawal from the EU on the 31/1/20, guidance from Central Government is now awaited. Risk moved to the Operational risk registers.	Council services are disrupted following the UK withdrawal from the EU.	The UK is due to leave the EU on the 29/3/19. The impact of BREXIT on council funding, services and supplies is uncertain at this stage.	<ul style="list-style-type: none"> • Increased supplier / materials costs • Loss of funding • Withdrawal of council services • Council projects cannot be delivered
39	Following the withdrawal of LCC funding for the Care & Repair Service in 2019/20 funding of £40k from the CCG has now been secured. As there are no other services which are currently threatened with the loss of LCC funding, the risk has been removed.	Funding from Lancashire County Council is withdrawn impacting on the delivery of services within Wyre.	Lancashire County Council have set a legal budget for 2018/19 but have announced that significant savings have to be achieved to reduce their funding gap beyond 2019/20.	<ul style="list-style-type: none"> • Services are withdrawn • Increased council expenditure to continue with existing services • Adverse publicity • Reputational damage • Increased complaints from service users



Report of:	Meeting	Date	Item no.
Head of Governance	Audit Committee	16 June 2020	6

DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20
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1. Purpose of report

1.1 To approve the draft Annual Governance Statement (AGS) for 2019/20 for inclusion in the Annual Statement of Accounts following a review of the council's governance arrangements.

2. Outcomes

2.1 Evidence that the council has effective governance arrangements in place.

3. Recommendation

3.1 The Committee is asked to review and formally approve the draft AGS, which incorporates the council's Code of Corporate Governance.

4. Background

4.1 The AGS is a valuable means of communication. It enables an authority to explain to the community, service users, taxpayers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.

4.2 In accordance with the Accounts and Audit Regulations 2015 the council is required to prepare an AGS, which is published alongside the Statement of Accounts.

4.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have jointly issued a framework and guidance in relation to the AGS; 'Delivering Good Governance in Local Government'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement

should itself add value to the corporate governance and internal control framework of an organisation. It also recommends that when complying with the guidance, authorities should use it in a way that best reflects their structure, type, functions and size.

4.4 The framework recognises that effective governance is achieved through seven core principles;

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

5. Key Issues and proposals

5.1 The draft AGS for 2019/2020 is attached at Appendix 1. Owing to the Covid-19 epidemic, the usual workshop of key officers was unable to take place. However ‘Microsoft Teams’ was used to ensure all key officers were given the opportunity to provide information and key evidence to support how the organisation has complied with the principles set out in paragraph 4.4 above during the year.

5.2 The Leader of the Council and the Chief Executive will be asked to sign the statement certifying that they are aware of the governance issues within the Authority and of the measures that are needed to mitigate them.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Effective audit and risk management assist in good governance and the probity of council actions.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There

are no significant implications arising directly from this report, for those issues marked with an x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	29.05.20

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Draft Annual Governance Statement 2019/20

DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20

1.0 INTRODUCTION TO CORPORATE GOVERNANCE

- 1.1 Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately leads to good outcomes for the residents and the service users of Wyre. Good governance also enables the council to pursue its corporate vision effectively, as well as underpinning that vision, with mechanisms for control and management of risks.

2.0 SCOPE OF RESPONSIBILITY

- 2.1 Wyre Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for, and that funding is used economically, efficiently and effectively. Wyre 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.
- 2.2 In discharging this overall responsibility, Wyre Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and includes arrangements for the management of risk.
- 2.3 Wyre Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE 'Delivering Good Governance in Local Government' framework.

3.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wyre Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3 The governance framework has been in place at Wyre Council for the year ended 31 March 2020 and up to the date of approval of the annual statement of accounts.

4.0 WYRE COUNCIL'S LOCAL CODE OF CORPORATE GOVERNANCE

4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have published a framework and guidance for delivering good governance in local government. The guidance helps local authorities to interpret the overarching principles contained in the framework prior to developing and maintaining their own 'local' corporate governance arrangements. The framework recognises that effective governance is achieved through seven core principles and 21 sub-principles.

4.2 It should be noted that the CIPFA / SOLACE guidance is not prescriptive and authorities are encouraged to use it in a way that best reflects their structure, type, functions and size.

5.0 HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

5.1 Set out below is how the council has complied with the seven core principles set out in the CIPFA / SOLACE framework during 2019/20.

Core Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Behaving with integrity

- Established codes of conduct define expected standards of personal behaviour for both staff and Members.
- The Council has a set of corporate values for its staff reflecting public expectations about the conduct and behaviour of individuals and these are reflected in the recruitment and selection and performance appraisal processes.
- The Council has a Member Code of Conduct in place that helps to achieve high standards of conduct for elected Members.
- Induction training is in place for both staff and newly elected Members.
- Arrangements are in place to ensure that Members and employees of the council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.
- A register of interests is maintained for Members and officers.
- An up-to-date register of gifts and hospitality is maintained and is reviewed annually by the Monitoring Officer and the Audit Committee.
- There is an efficient Standards Committee.
- Arrangements are in place for whistleblowing, to which all officers, Members and all those contracting with the council have access. The policy is reviewed annually by the Audit Committee.
- Arrangements are in place so that conflicts of interest on behalf of Members and

officers are avoided.

- Effective, transparent and accessible arrangements are in place for dealing with complaints.

Demonstrating strong commitment to ethical values

- The Head of Governance (Chief Internal Auditor) champions ethical compliance for both officers and Members.
- An Ethical Governance Survey for staff was carried out in November 2018. This will be rolled out to Elected Members in 2020.
- Protocols are in place for partnership working. These are documented in the council's Financial Regulations and Financial Procedure Rules.
- A competency framework, listing required behaviours and values, is currently used to drive recruitment and regular performance reviews are undertaken as part of the performance appraisal system.
- Policies and procedures are in place and are regularly reviewed for dealing with unacceptable behaviours.

Respecting the rule of law

- The authority has complied with both the Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the Role of the Chief Financial Officer and the Head of Internal Audit in Local Government.
- The Constitution sets out the responsibilities of elected Members by defining the decision-making powers of the Council, Executive, Overview and Scrutiny and regulatory and other committees, providing clear terms of reference, and describing roles and functions.
- The Head of Governance (Chief Internal Auditor) has extensive internal audit experience and is professionally qualified. She is a certified and chartered auditor (CIA, CMIIA) and also holds a Qualification in Internal Audit Leadership (QIAL).
- Anti-fraud and anti-corruption policies are in place and reviewed annually by Audit Committee.
- The Monitoring Officer is responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Up to date job descriptions and person specifications are maintained for the Chief Executive, Section 151 Officer and the Monitoring Officer.
- All staff completed training in respect of the Data Protection Act 2018 and the incorporated General Data Protection Regulations in 2018.
- Regular training is provided to elected Members who sit on regulatory committees such as Planning, Licensing and the Audit Committee.
- Specific legislative requirements are observed, as well as the requirements of general law, and in particular the key principle of good administrative law, rationality, legality and natural justice form part of procedures and decision-making.
- Proper professional advice on matters that have legal or financial implications is available and when sought, recorded in advance of decision-making.
- Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community.
- All allegations concerning breaches of the code by elected Members are

thoroughly investigated.

Core Principle B – Ensuring openness and comprehensive stakeholder engagement.

Openness

- A business plan is published annually giving information on the council's strategic narrative, priorities and performance measures which is shared with all officers, Members, partners and the community.
- An annual statement of accounts is produced with an easy to read narrative report.
- The annual efficiency statement is published with the revenue estimates.
- The Corporate Director Resources (Section 151 Officer) is responsible for publishing annual accounts, in a timely manner and within statutory deadlines, to communicate the council's activities and achievements, its financial position and performance.
- The council as a whole is open and accessible to the community, service users and its officers and is committed to openness and transparency in all its dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.
- The council complies with the Local Government Transparency Code 2015.
- Wyre Voice, an information leaflet produced by the council, is delivered to every household annually with a monthly E-newsletter being sent to those who have subscribed.
- A monthly newsletter 'core brief' is produced and cascaded to all staff.
- Periodic reports are produced on Overview and Scrutiny function activity.
- Key decisions are published in the Schedule of Executive Decisions.
- All report authors have been offered training on report writing.
- Audio recordings of Council meetings are available on the council's website.
- A property investment panel has been established which will consider proposals for investment opportunities.

Engaging comprehensively with institutional stakeholders

- The leisure management partnership board meets regularly to oversee the operation of the council's leisure centres and pools.
- Key partnerships are periodically reviewed through the internal audit plan and the Financial Regulations and Financial Procedure Rules include advice and guidance which can assist officers in managing the key risks of partnership arrangements.
- Corporate guidance has been issued on consultation and public involvement mechanisms offering practical steps and advice.
- The council maintains links with the parish and town councils by regular attendance at the Lancashire Association of Local Councils (LALC) meetings.
- Clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively, e.g. flood forums, the Fylde and Wyre Health and Wellbeing Partnership Board, the Waste Management Partnership Board and the Leisure Management Partnership Board.

Engaging with individual citizens and service users effectively

- The council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and are clearly articulated and disseminated.
- Arrangements are in place to enable the council to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and there are explicit processes for dealing with these competing demands.
- The Council runs a Digital Hub located at the Fleetwood Market in partnership with Citizens Advice to provide additional support to residents to help them develop their digital skills.
- Every year, a State of Wyre update is produced providing local data and intelligence linked to our business plan priorities.
- A 'together we make a difference network' is in place. This informal membership network led by the council is made up of council officers, elected Members and partners from all sectors with the aim to enable local people to make a difference in their local communities.
- The Council undertakes regular consultation and all are available through the online consultation portal.

Core Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Defining outcomes

- The Council has made a clear statement of its vision, ambitions, key programmes and projects in its business plan (2019 – 2023) which is used for service and corporate planning.
- The business plan includes a set of measures defining outcomes which are reported quarterly to the Overview and Scrutiny Committee.
- There are effective arrangements to deal with failure in service delivery.
- There is a corporate complaints procedure with annual reports from the Local Government Ombudsman being available on the website.
- The medium term financial plan (MTFP) / revenue estimates and capital programme are soundly based and are designed to deliver the council's strategic priorities.
- The value for money indicators are reviewed annually with the results being reported to Cabinet and Overview and Scrutiny Committee.
- The council's approach to value for money is reflected in the annual efficiency statement reported to Cabinet with targets and achievements monitored throughout the year.
- Strategic and operational risk registers are maintained and workshops are held throughout the year to review current risks and identify new risks. The risk registers are reviewed quarterly, in line with the business plan and the efficiency programme. It should be noted that owing to Covid-19, operational risk workshops did not physically take place in Feb 2020. However Heads of Service were still

asked to carry out the review and identification of new risks remotely.

Sustainable economic, social and environmental benefit

- The council embraces community engagement and involvement and encourages neighbourhood engagement and works collectively with ward councillors, parish and town councillors, community groups and other partner organisations to identify local issues and priorities.
- Our business plan states a number of ambitions which will improve the health and wellbeing of our communities.
- Relationships have been established with clinical leads from the Blackpool, Preston, Morecambe Bay and Fylde coast clinical commissioning groups with a view to influencing service provision.
- The business plan is subject to an equality impact assessment on an annual basis.
- The development and delivery of the local plan has been subject to extensive consultation.
- Individual projects are equality impact assessed promoting access to services.
- Our 'together we make a difference network' works with the community to identify priority projects, makes links with partners, develops relationships with key stakeholders and helps facilitate the delivery of community priorities.
- The Council has been awarded a number of both green and blue flag awards for our clean beaches and parks and open spaces.
- The Council's Constitution has been amended to ensure 'Social Value' is considered when procuring goods and services.
- A masterplan is being developed for Fleetwood and a bid has been submitted for Future High Street Fund to kick start the economic regeneration of Fleetwood Town Centre. Funding has already been secured through CCF5 and Heritage Action Zone to start redevelopment projects at Fleetwood Market and for shop front improvements in the heritage quarter.
- In March 2020 the Council launched a new weekly online community lottery to provide good causes and community groups with a simple way to raise funds.

Core Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes.

Determining interventions

- There are mechanisms in place for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- Those making decisions are provided with information that is fit for purpose and relevant.
- Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community.
- Proper, professional advice on matters that have legal or financial implications is available and when sought, recorded in advance of decision making.
- The Section 151 Officer sits on the Digital Transformation Board.

Planning interventions

- The Council's business plan is refreshed annually and is subject to review by Overview and Scrutiny prior to approval by Full Council.
- Business plan actions are managed by officers and monitored by Cabinet and the Overview and Scrutiny Committee.
- The business plan is developed taking into account the Life in Wyre survey and other demographic information, including locality plans, neighbourhood profiles, State of Wyre updates and public health reports.
- Service quality is regularly reviewed via the council's formal complaints system, the Waste Management Partnership Board and the Leisure Management Partnership Board.
- The business plan includes a set of measures which are reported quarterly to the Overview and Scrutiny Committee.
- The MTFP, revenue estimates and capital programme are published annually and are key documents for forecasting our budget requirements and planning ahead.
- An efficiency programme compliments the MTFP ensuring sustainability going forward.
- We explore opportunities to work with our partners and collaborate on funding applications.

Optimising achievement of intended outcomes

- The MTFP is agreed annually in October and updated regularly with a revised projection being presented to Management Board and published with the revenue estimates in February.
- The MTFP, revenue estimates and capital programme are soundly configured to meet the requirements of the business plan.
- The MTFP sets out the framework for corporately managing the council's resources in the years ahead.

Core Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Developing the Entity's capacity

- There is an agreement between the council and the YMCA identifying arrangements for the management of the council's health and fitness centres. Regular meetings are held covering operational and financial matters. In 2019/20 the YMCA reported that they would not meet the subsidy target and a contract variation was agreed. The position will continue to be monitored in 2020/21 in light of the impact of the Covid-19 pandemic.
- Effective mechanisms exist to monitor service delivery through the Overview and Scrutiny arrangements and quarterly performance reports highlight where corrective action is necessary.
- A key activity in the council's business plan is to continue the programme of works to maximise the use of our assets.
- The council subscribes to the APSE advisory service, with a view to benchmarking

its front line services.

- Benchmarking is undertaken via relevant Lancashire professional groups e.g. revenues, audit, finance etc.
- The council plays an active role in the Fylde and Wyre health and wellbeing partnership.
- The council's performance appraisal system allows for documentation of the development of the individual through their personal development plan.
- Commercial awareness training was provided for all staff in 2017.
- The council's Chief Internal Auditor is currently undertaking a similar role for Lancaster City Council on a contractual basis.
- In 2018, the Internal Audit Service received a 'full compliance' overall opinion when assessed against the Public Sector Internal Audit Standards (PSIAS).
- The council regularly benchmarks Member's allowances as part of the review undertaken by the Independent Remuneration Panel.
- The Council attends the Lancashire Waste Partnership and is current evaluating options following the release of the DEFRA Resources and Waste Strategy 2018 with advisory groups such as the Local Authority Recycling Advisory Committee (LARAC) and the Association of Public Service Excellence (APSE).

Developing the capacity of the entity's leadership and other individuals

- The Chief Executive is responsible and accountable to the council for all aspects of operational management and is required to attend regular performance appraisal meetings with the Leader of the Council.
- The Corporate Director Resources (Section 151 officer) is responsible to the council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- There is an established pay and grading structure for employees referred to as the job evaluation system and a process for appeals.
- There is a clearly defined management structure and a scheme of delegation to officers, which is underpinned by the Members' Code of Conduct and a protocol for officer / Member relations.
- There are published job descriptions and established protocols, which ensure that the Leader and Chief Executive establish their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.
- Financial Regulations and Financial Procedure Rules are reviewed annually by the Audit Committee.
- Career structures are in place for Members and officers to facilitate succession planning.
- The Council is currently supporting three individuals through an apprenticeship in Leadership and Management which ends in October 2020.
- Effective management arrangements are in place both at the top of and throughout the organisation to support the health and wellbeing of officers.
- The council assesses the skills required by elected Members and officers and makes a commitment to develop these to enable roles to be carried out effectively.
- The council ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the council.
- Training programmes are tailored to meet individual needs and there are

opportunities for elected Members and officers to update their knowledge on a regular basis.

- Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
- Arrangements are in place via the volunteering initiative to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority.
- A competency framework exists to ensure that all staff have appropriate skills enabling them to deliver high quality services.
- A Corporate Management Team restructure took place in late 2019 and from 1 December 2019 a smaller Corporate Management Team was in place. The team reduced from three Service Directors and the Head of Finance (s.151 Officer) to three Corporate Directors (including the s.151 Officer).

Core Principle F – Managing risks and performance through robust internal control and strong public financial management.

Managing risk

- Risk management is embedded into the culture of the council, with Members and managers at all levels recognising that risk management is part of their job.
- The risk management policy is refreshed annually and approved by the Audit Committee.
- The Council has individual BREXIT and ICT risk registers which are reviewed on a regular basis.
- Strategic and operational risk registers are maintained and workshops are held regularly to review current risks and identify any new risks. It should be noted that owing to Covid-19, operational risk workshops did not physically take place in February 2020. However Heads of Service were still asked to carry out the review and identification of new risks remotely.
- Information asset registers are in place and are reviewed by Internal Audit as part of each audit review ensuring compliance with legislation and demonstrating best practice in information governance.

Managing performance

- Performance is regularly reported to Corporate Management Team and Cabinet.
- The council has an Overview and Scrutiny Committee which allows for constructive challenge and enhances the council's performance overall.
- There are effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- There is a calendar of dates for submitting, publishing and distributing timely reports to the council's committees.
- Quarterly performance reports are submitted to the Overview and Scrutiny Committee.

Robust internal control

- An effective internal audit function is adequately resourced and maintained.
- Internal audit reviews are conducted under the Auditing Practices Board guidelines and in line with Public Sector Internal Audit Standards (PSIAS).
- In accordance with the Accounts and Audit Regulations 2015, an annual assessment of the council's systems of internal audit is carried out using the PSIAS and the checklist provided in the Local Government Application Note published by CIPFA. The standards also require an external assessment be carried out every five years. In April 2018 the Internal Audit Services received a 'full compliance' overall opinion following an external assessment carried out by Allerdale Borough Council and Preston City Council. The next review is scheduled for February 2023.
- The Head of Governance (Chief Internal Auditor) has developed a quality assurance improvement programme to ensure the continual improvement of the internal audit service.
- An effective Audit Committee is in place, which is independent of the Executive and the Overview and Scrutiny function.
- The Audit Committee undertakes an annual review of its own effectiveness against the checklist in the CIPFA guidance 'effective audit committees' and is satisfied that it meets the required standard.
- Both the Head of Governance (Chief Internal Auditor) and Senior Auditor have extensive experience and are both professionally qualified. The Chief Internal Auditor is a Chartered Auditor and also holds a Qualification in Internal Audit Leadership. The Senior Auditor is a Certified Auditor.
- The implementation of internal audit reports recommendations is monitored by the Internal Audit Team and the Audit Committee.
- Counter-fraud policies are in place and reviewed annually. The effectiveness of these policies is reviewed on a regular basis.
- Robust whistleblowing arrangements are in place with the ethical governance survey results showing that a high percentage of staff had a good understanding of the policy and knew how to raise concerns.

Managing data

- In 2018, staff received training on the new Data Protection Act 2018 and the incorporated General Data Protection Regulations (GDPR) using an e-learning package.
- The council has appointed a Data Protection Officer who is responsible for ensuring the council's compliance with the Date Protection Act 2018 and the incorporated GDPR.
- In November 2019, the Audit Committee were given delegated responsibility for ensuring the council is compliant to the Data Protection Act and the GDPR and receives six monthly updates from the Head of Governance (Chief Internal Auditor).
- Information Asset Registers are in place to demonstrate the council knows what data it processes, where it is stored and how it is shared internally and externally.
- Information is stored securely and confidential waste disposal arrangements are in place.
- Key performance data is regularly reviewed for accuracy by internal audit.

Strong public financial management

- Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications.
- An up to date register of gifts and hospitality is held and is annually inspected by the council's Audit Committee and the Monitoring Officer.
- There is an established pay and grading structure in place for employees.
- Financial Regulations and Financial Procedures Rules are reviewed annually and any changes are presented to the Audit Committee for approval.
- Registers of interests are maintained for both officers and elected Members.
- The External Auditors issued an unqualified value for money conclusion for the 2018/19 financial year.

Core Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Implementing good practice in transparency

- The council complies with the Local Government Transparency Code 2015.
- Wyre Voice, an information leaflet produced by the council is delivered to every house in the Borough.
- An easy to read 'narrative report' accompanies the Statement of Accounts.
- The Local Government Ombudsman annual report is published on the council's website.

Implementing good practices in reporting

- Annual presentations are delivered for elected Members concerning the council's finances as part of the production of the revenue estimates, the capital programme and the update of the MTFP.
- A set of questions and answers supports the financial position at the year-end illustrating key issues for members of the Audit Committee and the relevant stakeholders.
- The annual efficiency statement is published alongside the revenue estimates as part of the report to Cabinet in February.
- The Annual Governance Statement is regularly reviewed by the Section 151 Officer and the Head of Governance (Chief Internal Auditor). The action plan is monitored by the Corporate Management Team and reported to Audit Committee.
- The value for money indicators are reviewed annually with the results being reported to Cabinet.
- Project management information is available for elected Members via spreadsheets.
- Executive update reports are prepared and delivered by portfolio holders to Full Council.

Assurance and effective accountability

- An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion.
- The Head of Governance (Chief Internal Auditor) has reported in her Annual Audit Report that 'adequate' assurance can be given that the council has satisfactory controls in place in the areas audited to be able to maintain an adequate and effective internal control environment. However it should be noted that owing to the Covid-19 pandemic and limited resources which led to the delay in work completed at the start of the year, there has been limited coverage over the audit universe and a number of audit pieces of work have not been completed.
- In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed.
- The Audit Committee work programme provides the opportunity for the Head of Governance (Chief Internal Auditor) to have a private and confidential discussion with the Audit Committee members.
- The council participates in RIPA inspections as and when required.
- Key partnerships are periodically reviewed through the internal audit plan with delivery via third parties being included in the assurance reviews undertaken annually.
- The Financial Regulations and Financial Procedure Rules include partnership guidance which can assist officers in managing the key risks of any partnership arrangements.
- Clear terms of reference exist for the key partnerships, clarifying arrangements for accountability, for example the Waste Management Partnership, the Leisure Management Partnership, Fylde and Wyre Health and Wellbeing Board and the Community Safety Partnership.

6.0 RISK MANAGEMENT

- 6.1 The council has adopted a corporate risk management policy and operates a fully integrated risk management system across the organisation. Relevant officers have received training in risk management enabling the production of operational risk registers with associated risk action plans, which are reviewed on a regular basis.
- 6.2 Each year the council's Corporate Management Team (CMT) holds a strategic risk workshop, to identify and prioritise strategic risks and to produce an action plan. Significant business risks that may impact upon the council's priorities have been identified and assessed, and appropriate control measures are in place. The report and associated action plan is presented to Management Board and Audit Committee and progress is monitored on a quarterly basis through the CMT.
- 6.3 The Council has an ICT risk register which is reviewed quarterly with ICT by Internal Audit and the Service Director for Performance and Innovation.

6.4 In preparedness for the UK leaving the European Union in January 2020, the council populated a BREXIT risks register which is reviewed on a regular basis following updates from Central Government, CMT and Head of Services.

7.0 REVIEW OF EFFECTIVENESS

7.1 In accordance with the Accounts and Audit Regulations 2015, the council must ensure that it has a sound system of internal control which:

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

7.2 The council is also responsible for conducting a review each financial year of the effectiveness of the system of internal control.

7.3 The Corporate Director Resources (Section 151 Officer) is responsible for the proper administration of the council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations and Financial Procedure Rules, to ensure they remain fit for purpose, submitting any additions or changes necessary to the Audit Committee for approval and reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the Council.

7.4 The Corporate Director Resources (Section 151 Officer) also has responsibility for:

- overseeing the implementation and monitoring the operation of the Code of Corporate Governance;
- maintaining and updating the Code in the light of latest guidance on best practice; and
- reporting annually to the Corporate Management Team and to Members on compliance with the Code and any changes that may be necessary to maintain it and ensure effectiveness in practice.

7.5 Wyre Council's internal audit service, via a specific responsibility assigned to the Head of Governance (Chief Internal Auditor) is required to provide an independent and objective opinion to the council on its risk management, governance and internal control environment. The Chief Internal Auditor's Annual report for 2019/20 concluded that 'adequate' assurance can be given that the council has satisfactory controls in place in the areas audited to be able to maintain an adequate and effective internal control environment.

7.6 It was also reported that there has been limited audit coverage across the organisation because a number of pieces of work have not been completed owing to the Covid-19 pandemic and limited resources at the start of the year.

7.7 Owing to the Covid-19 pandemic, the workshop normally carried out at the end of the year with key officers did not take place. However 'Microsoft Teams' was used to ensure all key officers were given the opportunity to provide information and key evidence to support how the organisation had complied with the principles set out in the Delivering Good Governance in Local Government guidance. Compliance to the governance framework and the core principles has also been reviewed by the Corporate Director Resources (Section 151 Officer), the Head of Governance (Chief Internal Auditor) and the Audit Committee.

8.0 VALUE FOR MONEY CONCLUSION

8.1 The External Auditors issued an unqualified value for money conclusion in their most recent review for 2018/19. This means that they are satisfied that the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources. They raised no high priority recommendations as a result of their work.

9.0 SIGNIFICANT GOVERNANCE ISSUES

9.1 No significant governance issues have been raised that require documenting separately in the Annual Governance Statement.

9.2 When reviewing compliance to the guidance, a number of minor issues have been identified which have been documented in an action plan that will be monitored by Corporate Management Team and reported to the Audit Committee in November each year.

10.0 REVIEWING AND REPORTING ARRANGEMENTS

10.1 The CIPFA/SOLACE guidance recommends that authorities should undertake annual reviews of their governance arrangements to ensure continuing compliance with best practice as set out in the framework.

10.2 Each year, normally in April / May, a governance workshop is held with key officers of the council who have the most appropriate knowledge, expertise and levels of seniority to consider the extent to which the organisation complies with the principles set out in the good governance framework. The principles are discussed in length and evidence is put forward to demonstrate how the council is meeting each of the principles. It is also an opportunity to identify any issues or gaps that could lead to a weaker governance structure. Following this meeting, the AGS and an action plan of minor issues is submitted for consideration by the Leader and Chief Executive who then sign to certify they are aware of the governance issues within the Authority and of the measures that are required to improve the

controls around the council's governance framework. As detailed above, owing to the Covid-19 pandemic this workshop did not take place. However alternative arrangements were made to ensure that compliance could still be neared and documented.

11.0 CERTIFICATION

As the Leader of the Council, I am aware of the governance issues within this Authority and of the measures that are needed to improve the control environment. Overall, my assessment of the control environment as at 31st March 2020 is satisfactory.

***COUNCILLOR D HENDERSON
LEADER OF THE COUNCIL***

As the Chief Executive, I am aware of the governance issues within this Authority and of the measures that are needed to improve the control environment. Overall, my assessment of the control environment as at 31st March 2020 is satisfactory.

***G PAYNE
CHIEF EXECUTIVE***

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Report of:	Meeting	Date	Item no.
Head of Governance	Audit Committee	16 June 2020	7

ANNUAL REVIEW OF THE COUNCIL'S RISK MANAGEMENT POLICY
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1. Purpose of report

1.1 To review the council's Risk Management Policy

2. Outcomes

2.1 Evidence that the council manages its significant business risks and recognises that effective risk management is integral to the council's corporate governance arrangements.

3. Recommendation

3.1 Members are asked to approve the Risk Management Policy attached at Appendix 1.

4. Background

4.1 The Risk Management Policy is a key document, which identifies the council's approach to risk management and demonstrates how it is embedded across the council. The adoption of this policy will help the council to demonstrate its commitment to a policy of managing risk wherever it may arise.

4.2 In accordance with their terms of reference the Audit Committee will review the risk profile of the organisation and consider the effectiveness of the council's risk management arrangements. This involves monitoring the progress of embedding risk management, reviewing the council's risk registers and ensuring that actions are being taken where necessary to mitigate such risks.

4.3 The Audit Committee are also required to review the Risk Management

Policy on an annual basis with the last review being completed in June 2019.

5. Key Issues and proposals

5.1 The Risk Management Policy is at Appendix 1. There have been no changes since its last review in June 2019.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Effective risk management assist in good governance and probity of council actions.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	15 May 2020

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Risk Management Policy



Risk Management Policy

June 2020

1.0 Introduction

1.1 Risk is part of all our lives. As an organisation, we need to take risks to grow and develop. Risk Management involves understanding, analysing and addressing risks to make sure the organisation achieves its objectives. Successful risk management can make a council more flexible and responsive to new pressures and external demands. It allows an organisation to deliver services better and to meet the needs and expectations of its community in what is a fast changing and dynamic environment.

1.2 The aim of this Risk Management Policy is to establish and operate an effective system not only to minimise risk but also to enable continuous improvement at every level of the organisation. The adoption of this policy will help the Council to demonstrate its commitment to a policy of managing risk wherever it may.

1.3 The Council is committed to developing a robust approach to risk management and will take reasonable steps to ensure that it;

- ◆ Provides services of the highest quality and standards possible;
- ◆ Provides a safe environment and facilities for staff and visitors;
- ◆ Provides reasonable and safe working arrangements for staff e.g. hours and workloads;
- ◆ Provides staff with adequate training and equipment to perform their duties;
- ◆ Encourages and enables staff to improve their performance both individually and collectively; and
- ◆ Is not financially or operationally compromised or disrupted.

1.4 In making this commitment the Council aims to;

- ◆ Identify activities that may cause loss, or cause the council to fail to deliver its objectives;
- ◆ Measure the impact of potential loss on the council, its property, staff and customers;
- ◆ Take reasonable steps to avoid, reduce and/or control the impact of potential loss;
- ◆ Make efforts to share or transfer risk wherever possible;
- ◆ Foster a culture of risk awareness that is reflected in all aspects of its work;
- ◆ Develop a culture that encourages open reporting and learning from adverse events; and
- ◆ Demonstrate continuous improvement, spreading learning across the council and meeting the changing needs of the community.

1.5 The policy applies to the council's elected Members and its Committees, the Corporate Management Team, staff and all working groups and partnerships. The responsibilities of these groups and the individuals within them, for the implementation of a control assurance programme and the effective management of risk is detailed below.

2.0 Risk Evaluation

2.1 The council uses Zurich Municipal's STORM methodology (Strategic and Tactical Organisational Risk Management); a structured, systematic methodology that identifies, evaluates, prioritises and manages opportunities and risk at strategic and operational levels.

2.2 The council's risk registers are held within spreadsheets and are accessible via the council's Intranet. The registers document the key risks and who is responsible for them. They also record the action plans created to help mitigate these risks.

2.3 Risk assessment is a formal requirement in the council's decision-making process. Prior to the submission of any committee report the report author must identify any risks associated with putting into place the recommendations or the risks associated with not doing so. Reports are considered by the Corporate Management Team and the cascade of information via team briefings ensures that the Head of Governance is aware of all decisions and can ensure that any associated risks are captured on risk registers.

2.4 The risk evaluation method details the level of risk that the council considers acceptable based on likelihood and impact, and ascribes management action to reduce significant risks.

3.0 Responsibilities

Members

- 3.1** Members are ultimately responsible for risk management because risks threaten the achievement of policy objectives. Failure to deliver services efficiently and high-level incidents and scandals often result in the public questioning the competency of those in charge. It often transpires that such failures and scandals could have been avoided if proper governance procedures had been operating effectively. Members must understand the strategic risks that the council faces and decide how these risks should be managed. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.
- 3.2** Members must ensure that risk awareness and management are part of the culture of the Authority and as a minimum;
- ◆ Exercise leadership and take a “top down” approach;
 - ◆ Support and monitor the Risk Management process;
 - ◆ Request assurance as to the quality of data that supports the decision making process; and
 - ◆ Form an opinion as to the adequacy of the risk assessment that has been performed.
- 3.3** The Accounts and Audit Regulations 2015 require the publication of an Annual Governance Statement with the council’s financial statements. This includes a review of the effectiveness of internal controls and documents the Council’s approach to risk management. This statement of assurance is a broad reflection of the whole governance of the Authority, identifying the measures that are needed to improve the control environment and is signed by the Leader of the Council and the Chief Executive.

Senior Officers

- 3.4** The Chief Executive acts as the figurehead for implementing the risk management process by making a clear, public and personal commitment to making it work and by signing the Annual Governance Statement.
- 3.5** Implementation of the risk management process has been delegated to the Head of Governance who works closely with the Senior Auditor and the Corporate Management Team to ensure risk action plans are implemented. Should the Head of Governance feel action is inadequate, then this would be reported to the Audit Committee for resolution.

- 3.6** The council's Corporate Management Team meets annually to review the council's strategic risks as identified on the council's strategic risk register, and identify any new risks that may prevent the council from achieving its long-term corporate objectives.
- 3.7** Corporate Directors and Heads of Service have responsibility for risk management within their own area of operations. They are best placed to understand the risks that are specific to their officers' day-to-day duties.
- 3.8** Corporate Directors and Heads of Service will;
- ◆ Fulfil their statutory and organisational obligations for the management of risk within the workplace;
 - ◆ Ensure that regular risk assessments are undertaken within their teams as directed by the Head of Governance;
 - ◆ Foster a culture of risk awareness in their teams;
 - ◆ Ensure that staff have access to the relevant policies, procedures and guidelines to facilitate safe practice and to minimise risk; and
 - ◆ Identify staff risk management awareness and other training for professional and personal development.

Employees

- 3.9** The council's employees have a duty to: -
- ◆ Consider the risks involved in what they do;
 - ◆ Be risk aware and observant, and bring potential risks to the attention of their line managers or to the Head of Governance, or report them through the council's formal accident / incident reporting mechanism;
 - ◆ Help to devise and implement processes to minimise risks to an agreed and acceptable level; and
 - ◆ Update risk action plans via the council's risk register spreadsheets.

Head of Governance

- 3.10** The council's Head of Governance has a duty to: -
- ◆ Develop the Risk Management Policy and keep it up to date;
 - ◆ Co-ordinate risk management and internal control activities;
 - ◆ Compile risk information and prepare reports for Audit Committee;
 - ◆ Develop a risk based internal audit plan;
 - ◆ Audit the risk process across the organisation;
 - ◆ Receive and provide assurance on the management of risk; and
 - ◆ Report on the efficiency and effectiveness of internal controls.

4.0 Risk Registers

4.1 The Audit and Risk Management Section will maintain both strategic and operational risk registers and record all significant risks. The registers are held in spreadsheets which can be viewed on the council's intranet and will be used to monitor risk movements.

- ◆ The strategic risk register will be reviewed **annually** by the Corporate Management Team via a risk workshop, and action plans will be updated **quarterly**.
- ◆ The operational risk registers will be reviewed **annually** by Heads of Service or the relevant Service Director and action plans will be updated **every six months**.
- ◆ Amendments to risk scores (likelihood x impact) can only be actioned by the Audit and Risk Management Section after evidence of increased or improved control, or another viable explanation has been recorded e.g. the activity ceases altogether.

4.2 To ensure that the risk registers are comprehensive and accurately reflect the levels of risk within the Authority, all relevant and available sources of information will be used in their compilation and review, namely:-

- ◆ The council's Annual Governance Statement;
- ◆ Internal Audit Reports;
- ◆ External Audit Reports;
- ◆ Risk Assessments;
- ◆ Incident / Accident reports;
- ◆ Insurance Claims and advice from the council's Insurers;
- ◆ Complaints; and
- ◆ Any relevant articles from risk management publications.

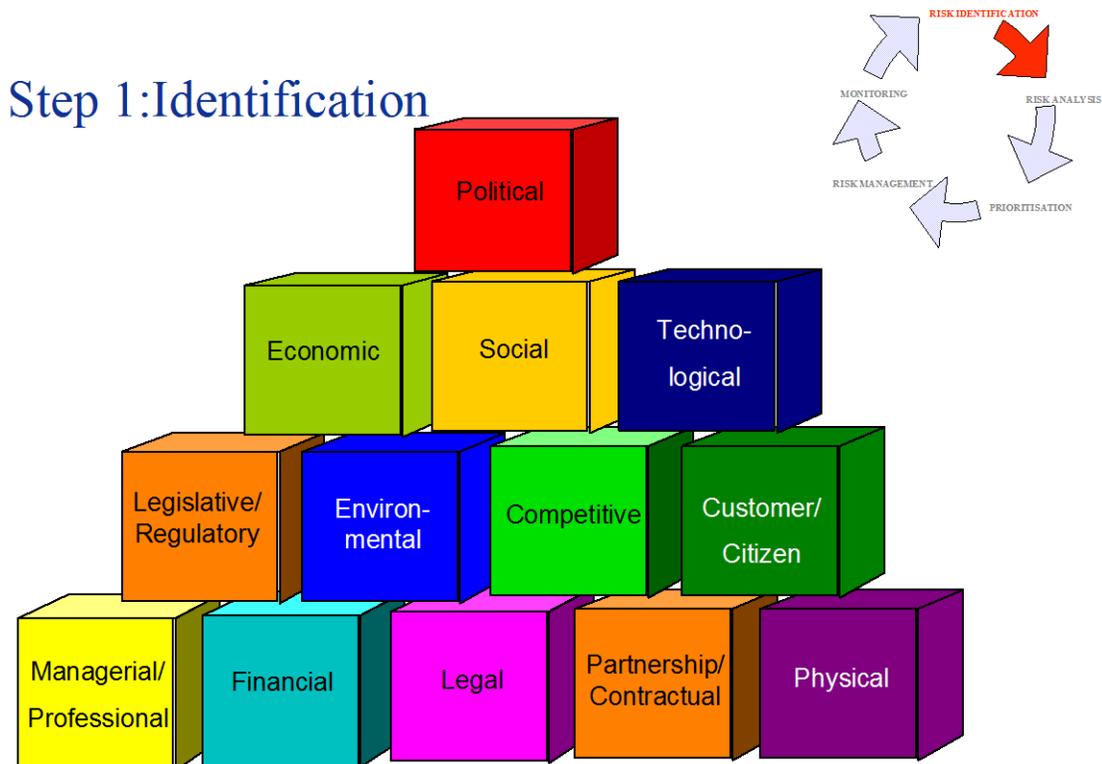
5.0 STORM Methodology

5.1 The process has five main steps to follow; Risk Identification, Risk Analysis, Prioritisation, Risk Management and Monitoring.

- ◆ Risk Identification; Uses the table of risk categories to help identify all risks associated with the action or direction the council takes.
- ◆ Risk Analysis; The vulnerability, trigger and consequences are highlighted.

- ◆ Prioritisation; This scores the likelihood and impact or severity of the risk. The risk is then plotted on a graph called the Risk Profile. Action must be taken to control any risks that have been identified and profiled above the council's risk appetite.
- ◆ Action Planning; To manage “downwards” either the likelihood, the impact or both.
- ◆ Monitoring; The Audit Committee will monitor the progress of the strategic risk register plans via reports provided to their November meeting.

5.2 Categories of risk to consider when using the STORM process to identify risk are illustrated in the diagram below.



5.3 The quality of data must also be considered when evaluating risk. Data can be collected and used in any of the above areas. However if a decision is to be based on that data, or performance measured or judged on it, then the source must be assured. The key elements of quality data are listed as follows.

- ◆ Accuracy
- ◆ Reliability
- ◆ Relevance
- ◆ Validated
- ◆ Timely, and
- ◆ Complete.

6.0 Risk Management Standards

6.1 Despite the publication of ISO 31000, the global risk management standard, the Institute of Risk Management (IRM) has decided to retain its support for the original risk management standard. This historic standard was formulated in 2002 by The Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC), the Institute of Risk Management (IRM) and the Public Risk Management Association (ALARM). It is still being referred to as it is a simple and accessible guide that outlines a practical and systematic approach to the management of risk.

6.2 The standard is not prescriptive i.e. a box ticking exercise or a certifiable process. Instead, the standard represents best practice against which organisations can measure themselves. The council has reviewed its risk management policy against this standard.

7.0 Summary

7.1 The adoption of this policy and the ongoing efforts to embed sound risk management principles into the council's 'fabric' will improve the way in which services are delivered. A solid, well-documented and comprehensive approach to risk management and its adoption into the decision making process is good practice, essential to good management and strengthens the council's governance framework.