



## **Audit Committee Agenda**

Wyre Borough Council  
Date of Publication: 7 June 2021  
Please ask for : Marianne Unwin  
Marianne.unwin@wyre.gov.uk  
Tel: 01253 887326

**Audit Committee meeting on Tuesday, 15 June 2021 at 6.00 pm  
in the Council Chamber, Civic Centre, Poulton-le-Fylde**

1. **Election of Chairman**
2. **Election of Vice Chairman**
3. **Apologies for absence**
4. **Declarations of interest**

To receive any declarations of interest from any members of the Committee on any item on this agenda.

5. **Confirmation of minutes**

To confirm as a correct record the minutes of the last meeting of the Audit Committee held on 2 March 2021.

6. **Audit Committee Effectiveness** (Pages 3 - 68)

Report of the Corporate Director Resources (Section 151 Officer),  
Clare James.

7. **Annual Internal Audit Report 2021** (Pages 69 - 112)

Report of the Corporate Director Resources (Section 151 Officer),  
Clare James.

8. **Draft Annual Governance Statement** (Pages 113 - 136)

Report of Corporate Director Resources (Section 151 Officer), Clare  
James.

9. **Statement of Accounts (pre-audit training)** (Pages 137 - 164)

Presentation provided by the Corporate Director Resources (Section 151 Officer), Clare James. Members can [click here](#) for the link to the

recording.

**10. External Audit Plan 2021/22**

Report of the Council's external auditors – Deloitte.

**11. External Audit Annual Audit Fee 2021/22**

Letter from the Council's External Auditor – Deloitte.

**12. Periodic Private discussion with External Audit**

Following the conclusion of the formal meeting, Members of the Committee will be given the opportunity to have their private periodic discussion with the External Auditor, as provided for in the Committee's work programme.

**13. Time and date of next meeting**

Tuesday 27 July 2021 at 6pm in the Council Chamber.



Report of:	Meeting	Date	Item no.
Corporate Director Resources (S151 Officer)	Audit Committee	15 June 2021	6

<b>REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT</b>
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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. Recommendation

3.1 The Committee is asked to consider the results of the April 2021 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. This application note is no longer simply guidance but instead constitutes 'proper practices' alongside the PSIAS. It includes a checklist for measuring the performance of Internal Audit against the standards as part of the quality assurance and

improvement programme. The applicate 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. The majority of the Lancashire Districts made the decision to continue with the annual self-assessment completed by the CAE and for the annual self-assessment to be independently verified via peer review. Wyre’s last peer review took place in March 2018 with the next review scheduled to 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 June 2020 and following this annual self-assessment, full compliance is considered to have been achieved. The results of the review are attached at Appendix 1.

<b>Financial and legal implications</b>	
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.

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

<b>risks/implications</b>	<b>✓ / x</b>
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	<a href="mailto:joanne.billington@wyre.gov.uk">joanne.billington@wyre.gov.uk</a>	24.05.2021

<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

### **List of appendices**

Appendix 1 – Review of the effectiveness of internal audit – May 2021

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Questions to consider			Evidence / comments
<b>1 Mission of Internal Audit</b>			
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?			<p>The mission of Internal Audit is clearly documented in the Audit Charter. This is reviewed annually by the Audit Committee.</p>
<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
<b>2 Definition of Internal Auditing</b>			
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 the CAE is responsible for the council's risk management, business continuity, democratic services, elections and insurance arrangements. The council will use independent auditors, e.g. Lancashire County Council to provide independent assurance that controls are adequate and effective in these areas. <b>NB. From the 1 June 2021, the role of the CAE will move away from the Head of Governance, therefore removing the need to use independent auditors to review these functions, with the exception of risk management that will still require independent review.</b></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 use independent auditors if necessary.</p> <p>It is a requirement of both IIA and CIPFA for its members to be both independent and objective. Objectivity is one of the four fundamental principles listed in the Internal Audit Charter / Code of Ethics.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			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 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 Municipal's STORM methodology.  The internal audit team use standardised working papers and audit report templates to maintain consistency.
<b>Questions to consider</b>			<b>Evidence / comments</b>
<b>3 Core Principles</b>			
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.			
<b>Demonstrates integrity.</b>			Auditors are bound by their ethical standards both in the internal



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?			audit Charter / Code of Ethics and with their own professional bodies, i.e. CIPFA / IIA.
CONFORMS ✓	PARTIAL	NOT CONFORMING	<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>

Questions to consider			Evidence / comments
<b>Demonstrates competence and due professional care.</b>			<p>Elements such as these are a requirement of the role and 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	
<b>Is objective and free from undue influence (independent).</b>			<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. A reminder is normally issued in the weeks prior to Christmas.</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	
<b>Aligns with the strategies, objectives, and risks of the organisation.</b>			<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	
<b>Is appropriately positioned and adequately resourced.</b>			<p>The Internal Audit and Risk Management Team reports to the Head of Governance who 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. A restructure in June 2021 will</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	

			strengthen the skills in the team and increase resources to negate the need for routine use of external support.
<b>Demonstrates quality and continuous improvement.</b>			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	
<b>Communicates effectively.</b>			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
<b>Provides risk-based assurance.</b>			<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	
<b>Is insightful, proactive, and future-focused.</b>			<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	
<b>Promotes organisational improvement.</b>			<p>All internal audit reports are published on SharePoint.</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			
<b>Integrity</b>			
<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"> <li>■ Performing their work with honesty, diligence and responsibility?</li> <li>■ Observing the law and making disclosures expected by the law and the profession?</li> <li>■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation?</li> <li>■ Respecting and contributing to the legitimate and ethical objectives of the organisation?</li> </ul>			<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>
CONFORMS ✓	PARTIAL	NOT CONFORMING	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.
<b>Objectivity</b>			
<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"> <li>■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</li> <li>■ Not accepting anything that may impair or be presumed to impair their professional judgement?</li> <li>■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?</li> </ul>			<p>Compliance with Audit Charter / Code of Ethics.</p> <p>Completion of annual declarations of interests.</p> <p>Auditors are required from time to time to get involved / give advice on new systems / new controls etc. Owing to the size of the team, the same auditor may also have to perform the audit. The auditor is, however mindful of their independence and has the option to call in independent auditors if necessary. <b>NB. From the 1 June 2021, a new Audit, Risk and Performance Lead will be joining the Audit and Risk Management Team, which will help in ensuring auditors remain independent and objective.</b></p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments						
<b>Confidentiality</b>									
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:			Compliance with Audit Charter / Code of Conduct and Public Sector Internal Audit Standards.						
<ul style="list-style-type: none"> <li>■ Acting prudently when using information acquired in the course of their duties and protecting that information?</li> <li>■ 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?</li> </ul>			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.						
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">CONFORMS ✓</td> <td style="width: 33%;">PARTIAL</td> <td style="width: 33%;">NOT CONFORMING</td> </tr> <tr> <td style="height: 100px;"></td> <td></td> <td></td> </tr> </table>			CONFORMS ✓	PARTIAL	NOT CONFORMING				Compliance with audit information asset registers.
CONFORMS ✓	PARTIAL	NOT CONFORMING							
			Understanding of the Data Protection Act 2018 and the enshrined GDPR.						
			Compliance to the Audit Charter / Code of Ethics and the auditor's own professional standards.						
<b>Competency</b>									
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:			The Senior Auditor is professionally qualified to PIIA standard and is working towards MIIA 'qualification by experience' and therefore has the experience and skills to carry out the required audits.						
<ul style="list-style-type: none"> <li>■ Only carrying out services for which they have the necessary knowledge, skills and experience?</li> <li>■ Performing services in accordance with the PSIAS?</li> <li>■ Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</li> </ul>			The Senior Auditor has been supplied with a copy of Audit Charter / Code of Ethics and the PSIAS and performance is regularly assessed.						
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">CONFORMS ✓</td> <td style="width: 33%;">PARTIAL</td> <td style="width: 33%;">NOT CONFORMING</td> </tr> <tr> <td style="height: 100px;"></td> <td></td> <td></td> </tr> </table>			CONFORMS ✓	PARTIAL	NOT CONFORMING				Work related objectives are agreed in advance as part of the council's performance appraisal scheme.
CONFORMS ✓	PARTIAL	NOT CONFORMING							
			Staff are encouraged to maintain records of continuing professional development to satisfy their professional membership requirements.						
			Regular attendance at the CIPFA audit weekend school.						
<b>Seven Principles of Public Life</b>			A copy of the Internal Audit Charter and the Code of Ethics which						

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> ?			refers to the Seven Principles of Public Life, has been provided to all Audit and Risk Management staff. Both documents are also published on the SharePoint system.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>Standards</b>			
<b>5 Attribute Standards</b>			
<b>5.1 1000 Purpose, Authority and Responsibility</b>			
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"> <li>■ the purpose</li> <li>■ the authority, and</li> <li>■ the responsibility</li> </ul> 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"> <li>■ Set out the internal audit activity's position within the organisation?</li> <li>■ Establish the chief audit executive's (CAE) functional reporting relationship with the board?</li> <li>■ 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.</li> <li>■ 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?</li> <li>■ 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?</li> <li>■ Define the scope of internal audit activities?</li> <li>■ Recognise that internal audit's remit extends to the entire control environment of the organisation?</li> <li>■ Establish the organisational independence of internal audit?</li> <li>■ Cover the arrangements for appropriate resourcing?</li> <li>■ Define the role of internal audit in any fraud-related work?</li> </ul>			<p>See Audit Charter.</p>



<ul style="list-style-type: none"> <li>■ 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?</li> <li>■ Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities?</li> <li>■ Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</li>   <li>■ Define the nature of consulting services?</li> <li>■ Recognise the mandatory nature of the PSIAS?</li> </ul>		
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 and approved by Audit Committee.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>5.2 1100 Independence and Objectivity</b>			
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 but one of the Audit Committee meetings to present reports (they don't routinely attend the closure of accounts meeting). There is also an annual opportunity for the CAE to have a periodic private discussion with the Audit Committee.
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	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 attend audit committee meetings? Does the CAE contribute to audit committee agendas?			See minutes of Audit Committee indicating attendees and contribution.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Are threats to objectivity identified and managed at the following levels:  <ul style="list-style-type: none"> <li>■ Individual auditor?</li> <li>■ Engagement?</li> <li>■ Functional?</li> <li>■ Organisation?</li> </ul>			<p>Audit staff complete a declaration of interests annually.</p> <p>The option exists for audit work to be commissioned from another external auditor provider, for example; Lancashire County Council if there is a threat to objectivity.</p> <p>The Head of Governance (CAE) will consider any threats to objectivity at the start of each audit.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
			The council's risk management, business continuity, democratic services, elections and insurance arrangements are at present the responsibility of the CAE. An independent audit provider, e.g.

			Lancashire County Council, will be commissioned if work is required in these areas. <b>NB. From the 1 June 2021, the role of the CAE will move away from the Head of Governance, therefore removing the need to use independent auditors to review these functions, with the exception of risk management that will still require independent review.</b>
<b>1110 Organisational Independence</b>			
<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"> <li>■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?</li> <li>■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</li> </ul>	<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. <b>NB. From the 1 June 2021, the role of the CAE will move away from the Head of Governance and be allocated to a new Internal Audit Manager.</b></p>
<p>CONFORMS ✓    PARTIAL    NOT CONFORMING</p>	
<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>
<p>CONFORMS ✓    PARTIAL    NOT CONFORMING</p>	
<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, the risk based plan and any adjustments to the plan.</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"> <li>■ approves the internal audit charter</li> <li>■ approves the risk-based audit plan</li> <li>■ approves the internal audit budget and resource plan</li> <li>■ receives communications from the CAE on the activity's performance (in relation to the plan, for example)</li> <li>■ approves decisions relating to the appointment and removal of the CAE</li> <li>■ approves the remuneration of the CAE</li> <li>■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.</li> </ul>	<p>The Audit Committee receives six monthly updates on risk management, counter fraud, progress on completion of the audit plan and information governance.</p> <p>The appointment / dismissal of the CAE is not reflected in the Council's Constitution as an elected member responsibility and it 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>

2020/21

<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.</p>	<p>The remuneration of the CAE is in accordance with the Council's Pay and Grading Policy.</p> <p>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.</p> <p>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.</p> <p>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.</p>			
<table border="1"> <tr> <td data-bbox="112 869 369 922">CONFORMS ✓</td> <td data-bbox="369 869 651 922">PARTIAL</td> <td data-bbox="651 869 1167 922">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p><b>1111 Direct Interaction with the Board</b></p>				
<p>Does the CAE communicate and interact directly with the board?</p>				
<table border="1"> <tr> <td data-bbox="112 1027 369 1077">CONFORMS ✓</td> <td data-bbox="369 1027 651 1077">PARTIAL</td> <td data-bbox="651 1027 1167 1077">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>The Head of Governance (CAE) attends a pre-audit meeting with the Chairman of the Audit Committee and also attends all Audit Committee Meetings.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING		

Questions to consider			Evidence / comments
<b>1112 Chief Audit Executive Roles Beyond Internal Auditing</b>			
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, democratic services, electoral registration and risk management. Assurance will be sought from independent auditors e.g. Lancashire County Council in respect of these services. This is reported to the Audit Committee annually in the Annual Audit Report. <b>NB. From the 1 June 2021, the role of the CAE will move away from the Head of Governance, therefore removing the need to use independent auditors to review these functions with the exception of risk management that will still require independent review.</b>
Does the board periodically review these safeguards?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>1120 Individual Objectivity</b>			
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 potential conflicts of interest if they arise during an audit review. There have been no conflicts of interest recorded to date.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>1130 Impairment to Independence or Objectivity</b>			
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, democratic services, electoral registration and risk management. Assurance will be sought for

CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	independent auditors e.g. Lancashire County Council in respect of these services operating effectively. <b>NB. From the 1 June 2021, the role of the CAE will move away from the Head of Governance, therefore removing the need to use independent auditors to review these functions with the exception of risk management that will still require independent review.</b>
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, democratic services, electoral registration and risk management. Assurance will be sought for independent auditors e.g. Lancashire County Council in respect of these services operating effectively. <b>NB. From the 1 June 2021, the role of the CAE will move away from the Head of Governance, therefore removing the need to use independent auditors to review these functions with the exception of risk management that will still require independent review.</b>
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 other external audit providers e.g. Lancashire County Council allows the rotation of audits where appropriate. <b>NB. From the 1 June 2021, a new Audit, Risk and Performance Lead will be joining the Audit and Risk Management Team, which will help in ensuring audit assignments can be rotated periodically.</b>
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.  Staff are provided with the Internal Audit Charter / Code of Ethics. Both documents are also on the intranet.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
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 2020/21 by internal audit.  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.			
<table border="1"> <tr> <td data-bbox="116 387 369 432">CONFORMS ✓</td> <td data-bbox="369 387 651 432">PARTIAL</td> <td data-bbox="651 387 1167 432">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
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.			
<table border="1"> <tr> <td data-bbox="116 584 369 628">CONFORMS ✓</td> <td data-bbox="369 584 651 628">PARTIAL</td> <td data-bbox="651 584 1167 628">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
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.			
<table border="1"> <tr> <td data-bbox="116 815 369 860">CONFORMS N/A</td> <td data-bbox="369 815 651 860">PARTIAL N/A</td> <td data-bbox="651 815 1167 860">NOT CONFORMING N/A</td> </tr> </table>	CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
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.			
<table border="1"> <tr> <td data-bbox="116 1046 369 1091">CONFORMS N/A</td> <td data-bbox="369 1046 651 1091">PARTIA N/A</td> <td data-bbox="651 1046 1167 1091">NOT CONFORMING N/A</td> </tr> </table>	CONFORMS N/A	PARTIA N/A	NOT CONFORMING N/A	
CONFORMS N/A	PARTIA N/A	NOT CONFORMING N/A		
<b>5.3 1200 Proficiency and Due Professional Care</b>				
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.				
<b>1210 Proficiency</b>				
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 / CMIIA) and holds a Qualification in Internal Audit Leadership (QIAL).			



Is the CAE suitably experienced?			The Head of Governance (CAE) has 20 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	
<p>Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?</p> <p>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?</p>			<p>The Head of Governance (CAE) has been fully trained on the council's recruitment and selection procedures.</p> <p>The CAE's job description was updated in August 2018 when the role of Data Protection Officer was added to the Head of Governance (CAE) responsibilities. It has been further updated in March 2021 in anticipation of an internal restructure. <b>NB. From the 1 June 2021, the role of the CAE will move away from the Head of Governance and be allocated to a new Internal Audit Manager. A job description has been formulated that reflects the required skills, knowledge and qualifications of a CAE in accordance with the PSIAS. In addition, a new Audit, Risk and Performance Lead role has also been created.</b></p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>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?</p> <p>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?</p>			<p>The Senior Auditor is PIIA qualified and satisfies the required competencies for the role.</p> <p>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 provider would be commissioned.</p>
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 would use the expertise of an external auditor provider 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	
<b>1220 Due Professional Care</b>			
Do internal auditors exercise due professional care by considering the:			The Senior Auditor will discuss and agree the scope, objectives and risks at the start of each audit with the client.  The audit plan considers time, cost, complexity and the assurances it requires from each audit.  Guidance, information and advice is available to the auditor when designing tests to ensure adequacy and effectiveness of governance, risk management and control.  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 the PSIAS – Local Government; Application Note for the UK Public Sector.
<ul style="list-style-type: none"> <li>■ Extent of work needed to achieve the engagement's objectives?</li> <li>■ Relative complexity, materiality or significance of matters to which assurance procedures are applied?</li> <li>■ Adequacy and effectiveness of governance, risk management and control processes?</li> <li>■ Probability of significant errors, fraud, or non-compliance?</li> <li>■ Cost of assurance in relation to potential benefits?</li> </ul> <p>In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.</p>			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			<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"> <li>■ Needs and expectations of clients, including the nature, timing and communication of engagement results?</li> <li>■ Relative complexity and extent of work needed to achieve the engagement's objectives?</li> <li>■ Cost of the consulting engagement in relation to potential benefits?</li> </ul>			<p>There are no such engagements undertaken presently.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p><b>1230 Continuing Professional Development</b></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 skills and competencies?</p>			<p>The council establishment has one level of auditor at Grade 8 with the support of the Head of Governance (CAE). Further resources would be sourced from other external audit providers, e.g. Lancashire County Council if required. <b>NB. From the 1 June 2021, a new Audit, Risk and Performance Lead will be joining the Audit and Risk Management Team, which will complement the current skills and competencies of the current team which itself will be restructured.</b></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</p>

			publications.
			The skills and competencies of the Senior Auditor are annually reviewed as part of the council's performance appraisal scheme.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<b>Questions to consider</b>			<b>Evidence / comments</b>
<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	
<b>5.4 1300 Quality Assurance and Improvement Programme</b>			
<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"> <li>• An annual self-assessment of the effectiveness of the audit service using the PSIAS;</li> <li>• Feedback on the Head of Governance (CAE) is sought annually prior to their performance appraisal;</li> <li>• 6 monthly monitoring of the internal audit activity to the Audit Committee; and</li> <li>• 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.</li> </ul> <p>External assessments include:</p> <ul style="list-style-type: none"> <li>• A 5 yearly independent assessment of compliance to the PSIAS;</li> <li>• Annual review of the council's Annual Governance Statement as part of the Financial Accounts audit;</li> <li>• Regular attendance at the Audit Committee with the opportunity to meet in private with the Committee; and</li> <li>• External Auditors and Audit Committee Members reviewing</li> </ul>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			and challenging internal audit reports.
			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).
<b>1310 Requirements of the Quality Assurance and Improvement Programme</b>			
<i>Does the QAIP include both internal and external assessments?</i>			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.
CONFORMS ✓	PARTIAL	NOT CONFORMING	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.
<b>1311 Internal Assessments</b>			
<i>Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?</i>			Whilst this is limited due to the size of the audit team, other external audit providers e.g. Lancashire County Council will be used if required. <b>NB. From the 1 June 2021, a new Audit, Risk and Performance Lead will be joining the Audit and Risk Management Team, which will assist the CAE in allocating work to the appropriate auditor with the relevant skills, experience and competencies.</b>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<i>Do internal assessments include ongoing monitoring of the internal audit activity, such as:</i>			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.
■ <i>Routine quality monitoring processes?</i>			An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years.
■ <i>Periodic assessments for evaluating conformance with the PISIAS?</i>			
CONFORMS ✓	PARTIAL	NOT CONFORMING	An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years.

			Wyre's review took place in March 2018 with the next review due in February 2023.
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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"> <li>■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities?</li> <li>■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?</li> <li>■ Does the CAE measure, monitor and report on progress against these targets?</li> <li>■ Does ongoing performance monitoring include obtaining stakeholder feedback?</li> </ul>			<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>The use of external audit providers (Lancashire County Council) will also assist with benchmarking the quality of internal audit reports.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>On-going monitoring of service performance was identified in the last PSIAS peer review 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 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</p>



			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.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>1312 External Assessments</b>			
<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>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<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 and the peer review report 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>

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</p> <p>– 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><b>1320 Reporting on the Quality Assurance and Improvement Programme</b></p>			

<p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> <li>■ the results of both external and periodic internal assessment must be communicated upon completion</li> <li>■ the results of ongoing monitoring must be communicated at least annually</li> <li>■ 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.</li> </ul>	<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 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.</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>Conformance with PSIAS is documented.</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 2020/21.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</b>			
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	
<b>1322 Disclosure of Non-conformance</b>			
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
<b>6 Performance Standards</b>			
<b>6.1 2000 Managing the Internal Audit Activity</b>			
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"> <li>providing objective and relevant assurance</li> </ul>			

<ul style="list-style-type: none"> <li>■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.</li> </ul>			
<p><b>2010 Planning</b></p>			
<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>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>
<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"> <li>■ How the internal audit service will be delivered?</li> </ul>			
<ul style="list-style-type: none"> <li>■ How the internal audit service will be developed in accordance with the internal audit charter?</li> </ul>			
<ul style="list-style-type: none"> <li>■ How the internal audit service links to organisational objectives and priorities?</li> </ul>			
<p>Page 37</p> <p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	

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"> <li>• Strategic / operational risk workshops</li> <li>• Networking and attendance at group auditor meetings;</li> <li>• Meetings with the External Auditor; and</li> <li>• Reading and research.</li> </ul> <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>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<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>
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> <li>■ Audit work to be carried out?</li> <li>■ Respective priorities of those pieces of audit work?</li> <li>■ Estimated resources needed for the work?</li> </ul> <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>Owing to the on-going pandemic and the requirement for Internal Audit to be flexible and responsive to key risks, a quarterly audit plan, rather than an annual audit plan has been submitted to the Audit Committee for 2021/22 audit work.</p> <p>Risks and resources will be reviewed continually throughout the year and reported to the Audit Committee.</p> <p>The plan identifies the category, source and rationale for the piece of work and how it links to the council's business plan / risk registers etc.</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>			<p>The quarterly plan will be reviewed on a regularly basis allowing any new risks or council priorities (new systems etc.) to be addressed accordingly.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Is the internal audit activity's plan of engagements based on a documented risk assessment?	The process that is undertaken to formulate the audit plan / priorities is an annual risk assessment of the council's universe, followed by regular updates of the council's risk registers and business plan refreshes.		
Is the risk assessment used to develop the plan of engagements undertaken at least annually?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>In developing the risk-based plan, has the CAE also given sufficient consideration to:</p> <ul style="list-style-type: none"> <li>■ Any declarations of interest (for the avoidance for conflicts of interest)?</li> <li>■ The requirement to use specialists, e.g. IT or contract and procurement auditors?</li> <li>■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?</li> <li>■ 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?</li> </ul>		<p>Audit staff complete an annual declaration of interest. There have been no conflicts of interest recorded in 2020/21.</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 provider would be commissioned or the in-house Compliance Team would be used for any complex fraud investigations.</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>	
CONFORMS ✓	PARTIAL	NOT CONFORMING	

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. There is also an opportunity at this point for the External Auditors to comment on the content.</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. Again, there is also an opportunity at this point for the External Auditors to comment on the content.</p> <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>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<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>Are consulting engagements that have been accepted included in the risk-based plan?</p>			<p>There are no proposed consulting engagement arrangements in place.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<b>2020 Communication and Approval</b>			
<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>Audit plan priorities are submitted to the Audit Committee initially in February / March each year for approval. Owing to the on-going pandemic, audit work will be reviewed / prioritised on a quarterly basis.</p> <p>Six monthly updates are provided to the Audit Committee which includes any deviations or changes to audit work going forward owing to the identification of any new or emerging risks.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	



Has the CAE communicated the impact of any resource limitations to senior management and the board?			Resource limitations would be reported to senior management and the Audit Committee where appropriate as part of the update report.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>2030 Resource Management</b>			
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 and the External Auditors 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>Assurance mapping, risk registers and the council's business plan helps streamline audit planning and focus audit priorities.</p> <p>Benchmarking with neighbouring authorities and participation in the PSIAS peer review process gives further confidence that the number of audit days / staff is consistent with other similar sized authorities.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>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>			The Senior Auditor will agree timings with each Head of Service prior to the start of each review. This will be documented in the terms of reference.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

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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. If further resources are required an external audit provider e.g. Lancashire County Council will be utilised. <b>NB. From the 1 June 2021, a new Audit, Risk and Performance Lead will be joining the Audit and Risk Management Team, which will increase the size of the Audit Team.</b></p>
<p>CONFORMS ✓    PARTIAL    NOT CONFORMING</p>	
<p><b>2040 Policies and Procedures</b></p>	
<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. SharePoint 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>
<p>CONFORMS ✓    PARTIAL    NOT CONFORMING</p>	
<p><b>2050 Coordination</b></p>	
<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>Other streams of assurance such as external inspections are considered, e.g. RIPA, Taxi Licensing, and Local Government Ombudsman.</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>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>Meetings are held with External Audit to update them on the work currently being carried out by Internal Audit. Work sometimes overlaps / complements that of transformation / process re-</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.

CONFORMS ✓

PARTIAL

NOT CONFORMING

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. The CAE attends for part of these meetings.

Questions to consider			Evidence / comments
<b>2060 Reporting to Senior Management and the Board</b>			
<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.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>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>
<b>2070 External Service Provider and Organisational Responsibility for Internal Auditing</b>			

<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>The council in-house team is currently responsible for 100% delivery of audit activity.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p><b>6.2 2100 Nature of Work</b></p>			
<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><b>2110 Governance</b></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"> <li>■ Making strategic and operational decisions?</li> <li>■ Overseeing risk management and control?</li> <li>■ Promoting appropriate ethics and values within the organisation?</li> <li>■ Ensuring effective organisational performance management and accountability?</li> <li>■ Communicating risk and control information to appropriate areas of the organisation?</li> <li>■ Coordinating the activities of and communicating information among the board, external and internal auditors and management?</li> </ul>			<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>Standardised working papers and reports are used to maintain a consistent approach.</p> <p>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 internal audit team.</p> <p>The Human Resources Team monitor the performance of key projects within the business plan and report regularly to the</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

		<p>Overview and Scrutiny Committee. <b>NB. From the 1 June 2021, the new Audit, Risk and Performance Lead will take responsibility for this.</b></p> <p>Regular risk workshops take place with Heads of Service and the risk registers are on SharePoint 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 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.</p> <p>All audit reports are issued to clients and published on SharePoint for all staff / members to view.</p> <p>External Auditor communication is presented to Audit Committee. 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, for example the location of policies and the .</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>The CAE sits on the Information Governance Group.</p> <p>The Senior Auditor facilitates quarterly ICT risk workshops. Any information technology risks that would prevent the organisation achieving the business plan would be highlighted at this workshop.</p>				
CONFORMS ✓	PARTIAL	NOT CONFORMING			
<b>2120 Risk Management</b>					
<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"> <li>■ Organisational objectives support and align with the organisation's mission?</li> <li>■ Significant risks are identified and assessed?</li> <li>■ Appropriate risk responses are selected that align risks with the organisation's risk appetite?</li> <li>■ 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?</li> </ul>	<p>Documented in the Business Plan.</p> <p>The Business Plan / service plans / risk registers 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"> <li>■ Achievement of the organisation's strategic objectives?</li> <li>■ Reliability and integrity of financial and operational information?</li> </ul>	<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>				

<ul style="list-style-type: none"> <li>■ Effectiveness and efficiency of operations and programmes?</li> <li>■ Safeguarding of assets?</li> <li>■ Compliance with laws, regulations, policies, procedures and contracts?</li> </ul>			<p>Discussions take place at both strategic and operational risk workshops regarding the effectiveness and efficiency of operations and also considered as part of individual audits.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<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>
<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>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>The Head of Governance (CAE) regularly tests compliance to the council's counter fraud polices.</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>



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>			<p>There are no such engagements undertaken presently.</p>
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	
<b>2130 Control</b>			
<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"> <li>■ Achievement of the organisation's strategic objectives?</li> <li>■ Reliability and integrity of financial and operational information?</li> <li>■ Effectiveness and efficiency of operations and programmes?</li> <li>■ Safeguarding of assets?</li> <li>■ Compliance with laws, regulations, policies, procedures and contracts?</li> </ul>			<p>These areas are covered as part of the audit planning process.</p> <p>Audits of key financial systems are normally conducted every 2/3 years unless there are any major changes to controls. Position statements may be used when no major changes have occurred.</p> <p>Strategic objectives / projects are currently 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	

Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	There are no such engagements undertaken presently.		
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<b>6.3 2200 Engagement Planning</b>			
<p>Do internal auditors develop and document a plan for each engagement?</p> <p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ Timing?</li> <li>■ Resource allocations?</li> </ul>	<p>A terms of reference document is developed and agreed for each audit review. This is held on SharePoint.</p> <p>Each of these criteria are documented in the terms of reference.</p>		
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"> <li>■ The objectives of the activity being reviewed?</li> <li>■ The means by which the activity controls its performance?</li> <li>■ The significant risks to the activity being audited?</li> <li>■ The activity's resources?</li> <li>■ The activity's operations?</li> <li>■ The means by which the potential impact of risk is kept to an acceptable level?</li> <li>■ The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?</li> <li>■ The opportunities for making significant improvements to the activity's governance, risk management and control processes?</li> </ul>			<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"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ 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)?</li> </ul>			<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"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ The respective responsibilities of the internal auditors and the client and other client expectations?</li> </ul> <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			
<b>2210 Engagement Objectives</b>				
<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"> <li>■ Significant errors?</li> <li>■ Fraud?</li> <li>■ Non-compliance?</li> <li>■ Any other risks?</li> </ul>	<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>There are no instances where the criteria have been deemed inadequate.</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>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>There are no current consulting engagements in place.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p><b>2220 Engagement Scope</b></p>			
<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 identifies 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>
<p>CONFORMS N/A    PARTIAL N/A    NOT CONFORMING N/A</p>	
<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>
<p>CONFORMS N/A    PARTIAL N/A    NOT CONFORMING N/A</p>	
<p><b>2230 Engagement Resource Allocation</b></p>	
<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>
<p>CONFORMS ✓    PARTIAL    NOT CONFORMING</p>	

**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?

CONFORMS ✓

PARTIAL

NOT CONFORMING

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.

Audit Committee will approve all work programmes. 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.



Questions to consider	Evidence / comments			
<b>6.4 2300 Performing the Engagement</b>				
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.				
<b>2310 Identifying Information</b>				
<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.</p> <p>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="197 898 443 986">CONFORMS ✓</td> <td data-bbox="443 898 725 986">PARTIAL</td> <td data-bbox="725 898 1167 986">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<b>2320 Analysis and Evaluation</b>				
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 1129 443 1181">CONFORMS ✓</td> <td data-bbox="443 1129 725 1181">PARTIAL</td> <td data-bbox="725 1129 1167 1181">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"> <li>■ Intentional wrongdoing?</li> <li>■ Errors and omissions?</li> <li>■ Poor value for money?</li> <li>■ Failure to comply with management policy?</li> </ul>	<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>			

■ Conflicts of interest?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>2330 Documenting Information</b>			
<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 the majority of files are retained for 7 years (6 plus current) in accordance with the Government Classification Scheme.</p>
<b>2340 Engagement Supervision</b>			
<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	
<b>6.5 2400 Communicating Results</b>			
<p>The questions in this section seek to confirm that internal auditors communicate the results of engagements in an appropriate way.</p>			
<b>2410 Criteria for Communicating</b>			
<p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> <li>■ The engagement's objectives?</li> <li>■ The scope of the engagement?</li> <li>■ Applicable conclusions?</li> <li>■ Recommendations and action plans, if appropriate?</li> </ul>			<p>Audit reports are issued as appropriate to Corporate Directors, Heads of Service, key operational staff, Audit Committee and the External Auditor review all audit reports.</p> <p>A standardised report format is used ensuring that each of the criteria is communicated.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>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?</p>			<p>A closure meeting is arranged with the relevant officers to agree factual accuracy, findings and agree actions.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	
<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>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>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	

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.</p> <p>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	
<b>2420 Quality of Communications</b>			
<p>Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?</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>
<b>2421 Errors and Omissions</b>			
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	
<b>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</b>			
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?			Reported in each audit report and as part of the Annual Internal Audit Report.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider	Evidence / comments			
<b>2431 Engagement Disclosure of Non-conformance</b>				
<p>Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:</p> <ul style="list-style-type: none"> <li>■ The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?</li> <li>■ The reason(s) for non-conformance?</li> <li>■ The impact of non-conformance on the engagement and the engagement results?</li> </ul>	No specific engagements have been impacted on by non-compliance with the PSIAS.			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">CONFORMS N/A</td> <td style="width: 33%;">PARTIAL N/A</td> <td style="width: 33%;">NOT CONFORMING N/A</td> </tr> </table>	CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A		
<b>2440 Disseminating Results</b>				
<p>Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?</p>	Reporting arrangements are documented within the Audit Charter.			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">CONFORMS ✓</td> <td style="width: 33%;">PARTIAL</td> <td style="width: 33%;">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>Has the CAE communicated engagement results to all appropriate parties?</p>	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.			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">CONFORMS ✓</td> <td style="width: 33%;">PARTIAL</td> <td style="width: 33%;">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>Before releasing engagement results to parties outside the organisation, did the CAE:</p> <ul style="list-style-type: none"> <li>■ Assess the potential risk to the organisation?</li> <li>■ Consult with senior management and/or legal counsel as appropriate?</li> <li>■ Control dissemination by restricting the use of the results?</li> </ul>	Engagement results have not been released to parties outside the organisation other than the council's External Auditors.			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">CONFORMS N/A</td> <td style="width: 33%;">PARTIAL N/A</td> <td style="width: 33%;">NOT CONFORMING N/A</td> </tr> </table>	CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
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			
<b>2450 Overall Opinion</b>				
<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>The CAE presents an annual audit opinion to the Audit Committee prior to the Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</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>The Audit Opinion is then subject to scrutiny by the Audit Committee and the External Auditors.</p>			
<table border="1"> <tr> <td data-bbox="194 735 443 858">CONFORMS ✓</td> <td data-bbox="443 735 725 858">PARTIAL</td> <td data-bbox="725 735 1149 858">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"> <li>■ The scope of the opinion, including the time period to which the opinion relates?</li> <li>■ Any scope limitations?</li> <li>■ The consideration of all related projects including the reliance on other assurance providers?</li> <li>■ The risk or control framework or other criteria used as a basis for the overall opinion?</li> </ul> <p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?</p> <p>Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?</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 effectiveness'.</p>			

CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> <li>■ The annual internal audit opinion?</li> <li>■ A summary of the work that supports the opinion?</li> <li>■ A disclosure of any qualifications to the opinion?</li> <li>■ The reasons for any qualifications to the opinion?</li> <li>■ A disclosure of any impairments or restriction in scope?</li> <li>■ A comparison or work actually carried out with the work planned?</li> <li>■ A statement on conformance with the PSIAS?</li> <li>■ The results of the QAIP?</li> <li>■ Progress against any improvement plans resulting from the QAIP?</li> <li>■ A summary of the performance of the internal audit activity against its performance measures and targets?</li> <li>■ Any other issues that the CAE judges is relevant to the preparation of the governance statement?</li> </ul>			<p>See Annual report for conformance.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider	Evidence / comments			
<b>6.6 2500 Monitoring Progress</b>				
<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>Starting from the 1 April 2021 all level 1 and 2 recommendations are followed up within six months of the recommendation being made. Overall opinions will be amended accordingly if improvements have been made. If there has been little progress made in implementing recommendations, further follow-up work will continue until the audit area has improved.</p>			
<table border="1"> <tr> <td data-bbox="262 922 510 970">CONFORMS ✓</td> <td data-bbox="510 922 792 970">PARTIAL</td> <td data-bbox="792 922 1292 970">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>Does the internal audit activity monitor the results of consulting engagements as agreed with the client?</p>	<p>There are no such engagements undertaken presently.</p>			
<table border="1"> <tr> <td data-bbox="262 1066 510 1114">CONFORMS N/A</td> <td data-bbox="510 1066 792 1114">PARTIAL N/A</td> <td data-bbox="792 1066 1292 1114">NOT CONFORMING N/A</td> </tr> </table>	CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A		
<b>6.7 2600 Communicating the Acceptance of Risks</b>				
<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>				

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.			
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?			The Head of Governance (CAE) has not concluded this to date but would refer the matter to the Corporate Director Resources (Section 151 Officer).  The Head of Governance (CAE) has not concluded this to date but would, if appropriate, refer the matter to the Audit Committee.
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?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Report of:	Meeting	Date	Item no.
Corporate Director Resources (S151 Officer)	Audit Committee	15 June 2021	7

**INTERNAL AUDIT ANNUAL REPORT 2020/21**

**1. Purpose of report**

1.1 To consider the Internal Audit Annual Report for 2020/21 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 (PSIAS) and to assist in meeting the Accounts and Audit Regulations 2015.

4.2 The PSIAS note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (HIA), in accordance with the PSIAS is to provide an opinion, based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation’s governance, risk management, and control processes (i.e. the organisation’s system of internal control). This is achieved through a risk based plan of work, agreed with management and approved by the Audit Committee, which when completed should assist the HIA to make an overall opinion and provide a reasonable level of assurance.

4.3 The updated CIPFA Statement on the role of the HIA in Local Government issued in April 2019 notes that the HIA in a local authority plays a critical role in delivering the authority’s strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management, internal control and championing best

practice in governance and commenting on responses to emerging risks and proposed developments.

- 4.4** The attached report provides details of audit coverage during 2020/21 enabling the HIA (Head of Governance) to make a balanced opinion in relation to internal control, risk management and governance processes across the organisation.

## 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.

<b>Financial and legal implications</b>	
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.

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

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

### **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	<a href="mailto:Joanne.billington@wyre.gov.uk">Joanne.billington@wyre.gov.uk</a>	07.06.2021

<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

**List of appendices**

Appendix 1 – Internal Audit Annual Report 2020/21

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

Appendix 3 – Strategic Risk Review

### INTERNAL AUDIT ANNUAL REPORT 2020/21

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 at the time of completion. Access to the supporting files are 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 extensive operational assurance mapping work carried out in early 2020 it was felt that there was no requirement to utilise the best value partnership in place with Lancashire County Council during 2020/21. Therefore all the audit work has been completed by the in-house Senior Auditor. Internal audit work is benchmarked where possible, with other Local District Councils who participate in the Public Sector Internal Audit peer reviews to ensure that quality and standards are maintained. Standardised working papers and report templates, along with a robust review process prior to report publication, ensures continual conformance to the PSIAS, consistency and high standards of reporting are maintained.

Whilst electronic internal feedback review forms are currently not being utilised after each audit review owing to a change in software, feedback received during 2020/21 indicates that the work of internal audit continues to be highly regarded across the organisation. An electronic feedback system will be introduced during 2021.

Following the examination of assurance mapping statements and the council’s strategic and operational risk registers, 22 pieces of audit work were identified and listed in the 2020/21 audit plan that was approved by Audit Committee on the 2 March 2020. This report details the outcome of this work and also any other areas of work that have been completed to assist in making an overall audit opinion on the council’s internal control environment.

The impact of the Covid-19 pandemic on the work of internal audit during 2020/21 will be addressed in relation to each item in the summary table below as appropriate.



## Audit Work Performed in 2020/21

Summarised below are the reviews that have been completed in 2020/21. Final reports are published in full on SharePoint.

### 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		
<b>2019/20 Audit Plan work completed in 2020/21</b>								
<b>Grant Management</b>	<b>Fieldwork still in progress</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>		<b>Good</b>	<p>This was originally added to the audit plan to look at the Better Care Fund and other grant funding received by the council. However, as a result of the on-going pandemic and the introduction of the Covid-19 business grants in April 2020 this piece of work has instead focused on the pre and post assurance work required by the Department for Business, Energy and Industrial Strategy (BEIS) in respect of these grants.</p> <p>A project plan and risk assessment were completed and sent to BEIS outlining the controls in place within the organisation to ensure all grants were distributed in accordance with the terms and conditions of the schemes.</p> <p>In addition to the sample of claims BEIS have sent to the Compliance Manager for checking, the Senior Auditor has also checked the insolvency register to ensure sole traders were still listed as 'solvent'.</p> <p>All councils were requested to upload three datasets from the first lockdown (small business, retail hospitality and leisure and discretionary grants) to the National Fraud Initiative to enable data matching within the authority and other organisations. The matches have now been received and these will be reviewed in the coming weeks and</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>will be reported alongside the National Fraud Initiative report that will be submitted to Audit Committee later in 2021.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of 'good' is appropriate given the strong controls that were implemented from the outset which have resulted in a low number of NFI matches.</p>
<b>Civica Pay</b>	<b>Position Statement Issued January 2021</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<p>The implementation of the Civica Pay system has been delayed owing to the pandemic and so no detailed audit or assurance work has been completed.</p> <p>In view of the above, a position statement was issued to the Audit Committee, Head of Contact Centre and Section 151 Officer in February 2021, detailing the progress of the project. As a result, the project team is meeting again and it is understood that the new 'go live' date is 29 June 2021.</p> <p>A piece of assurance work has been included in the 2021/22 Audit Priorities for Quarter 2 – 4.</p>
<b>Citizens Access Portal</b>	<b>Position Statement Issued February 2021</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<p>Owing to the continued delay of Civica Pay, the implementation of the Citizens Access Portal has also been delayed and therefore</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>no audit or assurance work has been completed.</p> <p>In view of the above, a position statement was issued to the Audit Committee, Section 151 Officer and the Head of Contact Centre in February 2021, detailing the progress of the project.</p> <p>A piece of assurance work has been included in the 2021/22 Audit Priorities for Quarter 2 – 4, following implementation of the Civica Pay system.</p>
<b>2020/21 Audit Work</b>								
<p>2020/21 Building Maintenance (follow-up)</p>	<p><b>Final Report Issued January 2021</b></p>	2	7	0	0	0	<b>Fair</b>	<p>The original review of Building Maintenance was completed in November 2019 as part of the 2018/19 audit plan and given an overall opinion of 'fair'. A follow-up review of this area in December 2020 was completed and further examination of the controls in place to manage the Building Maintenance service continues to be 'fair'. This opinion is considered appropriate given that there are a number of recommendations (9 in total) that are still outstanding from the 2018/19 audit work, namely;</p> <ul style="list-style-type: none"> <li>• Sample checks are required by the Head of Built Environment to verify continued compliance with documented procedures and processes;</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> <li>• The condition surveys will continue to be completed by the in-house Building Surveyors as a suitable external surveyor could not be procured. Therefore, the operational risk ‘demand on the building maintenance team may cause some of the capital projects to be delayed’ is still current;</li> <li>• Completion of planned repairs and the condition surveys have been delayed owing to the Covid-19 pandemic;</li> <li>• The statutory maintenance schedule still requires fully updating to confirm completion of these inspections, followed by ongoing review;</li> <li>• Asbestos surveys remain outstanding for a number of buildings. However, the completion of these had commenced at the time of the review;</li> <li>• The 2019 legionella risk assessment process was delayed by Lancashire County Council but had commenced at the time of this review. Evidence of the in-house testing carried out by the Property Team and other sites is outstanding and is to be requested to confirm completion;</li> <li>• Contractual agreements are not currently held for all framework contractors. New contracts will be obtained following the re-tendering exercise in February 2021;</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> <li>• Inspections are not routinely documented. Ongoing sample checks of the inspections completed by the Building Surveyors to monitor contractors they procure to undertake work are required by the Head of Built Environment to verify continued compliance; and</li> <li>• A review of the fixed electrical installation reports completed from 2015 to 2016 is required and repairs completed prior to requesting new inspections.</li> </ul> <p>A further review will be carried out in Q1 of 2021/22 to review the progress in implementing the agreed action plan. In accordance with the Audit Charter, should the audit opinion remain unchanged after two 'follow-up' reviews, this will be referred to the Audit Committee who may wish to seek an explanation directly from the managers responsible for the delay or failure to implement recommendations.</p>
<b>IR35 (follow-up)</b>	<b>Final Report Issued February 2021</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Fair</b>	The original review of IR35 was completed in October 2018 as part of the 2018/19 audit plan and given an overall opinion of 'fair'. A follow-up review of this area in February 2021 was completed and further examination of the controls in place to manage IR35 continue to be 'fair'. This opinion is considered appropriate given that there are 5

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>recommendations still outstanding from the 2018/19 audit work, namely;</p> <ul style="list-style-type: none"> <li>• Ongoing monitoring of agency and consultancy expenditure and assessment of existing contracts is still required;</li> <li>• A central record of all completed HMRC assessments or notifications to suppliers of agency staff is still required;</li> <li>• Further IR35 training for all spending officers is required, together with regular reminders;</li> <li>• Owing to the absence of ongoing monitoring it cannot be confirmed if the employment status of temporary agency workers engaged to provide services to the council is routinely assessed in all instances; and</li> <li>• Owing to the absence of ongoing monitoring, it wasn't confirmed if the employment status of consultants engaged to provide services to the council is routinely assessed in all instances.</li> </ul> <p>A further review will be carried out in Q1 of 2021/22 to review progress in implementing the agreed action plan. In accordance with the Audit Charter, should the audit opinion remain unchanged after two 'follow-up' reviews, this will be referred to the Audit</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								Committee who may wish to seek an explanation directly from the managers responsible for the delay or failure to implement recommendations.
<b>Community Lottery (follow-up / post implementation)</b>	<b>Final Report Issued February 2021</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>Good</b>	<p>It was agreed with the Section 151 Officer that this piece of work would be completed in two parts; pre and post implementation. The pre-implementation review was completed in December 2019 and an overall opinion of 'good' was given. An action plan highlighted 14 actions that required attention. A post implementation review has identified that of the 14 actions identified, 4 still require further action; namely</p> <ul style="list-style-type: none"> <li>• Additional reporting to licence holders demonstrating compliance with licence conditions is suggested to ensure all licence conditions are met;</li> <li>• The registration and approval process for good causes wishing to participate in the lottery must be adequately segregated in all instances;</li> <li>• All data received from good causes must be transferred into secure folders and retained in accordance with retention periods; and</li> <li>• The Community Engagement Information Asset register requires updating to include details of the data held for the community lottery.</li> </ul>



TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								The implementation of these recommendations will be monitored as part of the follow up work to be completed in Q2 - 4 of the 2021/22 audit plan.
<b>Beach Management Scheme</b>	<b>On-going</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>Good</b>	<p>The Senior Auditor continues to attend the monthly beach management project board meetings to provide advice and support in respect of internal control, risk management and overall governance arrangements. At present, project work is focusing on pre-construction works and work for the compound based at Jubilee Gardens. Preliminary work on the scheme will start (Phase 1) in September 2020 completing in July 2022. Phase 2 of the scheme will then commence for a further 3 years.</p> <p>Whilst an overall report has not been published at this time, for the purpose of this Annual Audit Report, an overall opinion of 'good' is appropriate given that the Senior Auditor is comfortable that a comprehensive risk register is place and a detailed project plan documents each stage and the target dates. The overall governance of the project is managed by an effective Board which meets on a monthly basis.</p> <p>This scheme will be continually monitored by the Senior Auditor until the end of the project and has been included in the 2021/22 Audit Plan.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
<b>Performance Management</b>	<b>Final Report Issued January 2021</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>Good</b>	<p>The overall opinion of the auditor is that the controls in place to manage performance management are ‘good’. This means that 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. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• A documented project plan or project brief is not in place for all projects included in the Corporate Business Plan;</li> <li>• The processes for the calculation of each performance measure are not documented in all instances;</li> <li>• At the time of reporting the overall responsibility for the Project Management / Performance management role has yet to be finalised; and</li> <li>• No performance information was produced for quarter 4 of 2019/20 owing to the Covid-19 pandemic.</li> </ul>
<b>Waste Management contract (review of payment process)</b>	<b>Final report</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Excellent</b>	The overall opinion of the auditor is that the controls in place to manage the payment process for the waste management contract

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
	issued May 2021							are 'excellent'. This means that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council 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.
VAT	Position Statement Issued May 2021	N/A	N/A	N/A	N/A	N/A	Good	<p>The last audit review of VAT was undertaken by Lancashire County Council in 2017/18. Full assurance was given and no recommendations were made.</p> <p>In view of this, the re-prioritisation of the remaining audit work for 2020/21 and the limited availability of the auditee, a decision was made not to complete any detailed testing in this area. However, a position statement was compiled to quickly capture any system or procedural changes that may introduce extra risk. Observations were as follows;</p> <ul style="list-style-type: none"> <li>Two compliance checks usually completed by the Finance Team to ensure VAT is accurately recorded have not been completed during 2020 owing to the ongoing pandemic and reduced resources within the team. These checks are to be reinstated;</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> <li>The partial exemption calculation undertaken half yearly and at the end of the financial year has not yet been calculated for 2020/21. This will be finalised after the accounts are closed in July.</li> </ul> <p>A follow-up review will be completed in three months to ensure these observations have been actioned.</p>
Expenses	Position Statement Issued May 2021	N/A	N/A	N/A	N/A	N/A	Good	<p>The last audit review of expenses was undertaken by Mazars in 2017/18. An adequate assurance opinion was given and only two recommendations were made.</p> <p>In view of this, the re-prioritisation of the remaining audit work for 2020/21 and the limited availability of the auditee, a decision was made not to complete any detailed testing in this area. However, a position statement was compiled to quickly capture any system or procedural changes that may introduce extra risk. Observations were as follows;</p> <ul style="list-style-type: none"> <li>Two procedure documents compiled in 2002/03 require review to ensure these reflect current practice and the subsistence allowances quoted are correct;</li> <li>As identified in the previous audit review, evidence obtained in respect</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>of a sample of 2020/21 claims identified that mileage and expenses claims are not accurately recorded in the officers' log books in all instances, supporting receipts are not retained for all expenses claims and log books are not always signed by the line manager to authorise the claim;</p> <ul style="list-style-type: none"> <li>8 of the 31 petty cash claims processed in 2020/21 exceeded the £50 limit. Where possible these should have been claimed through the HR21 system or purchased through the purchasing system.</li> </ul> <p>A follow-up review will be completed in three months to ensure these observations have been actioned.</p>
<b>Debtors, Creditors and Budgetary Control</b>	<b>Position Statement Issued May 2021</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>Good</b>	<p>The last audit review of Debtors, Creditors and Budgetary Control was undertaken by Lancashire county council in 2017/18. A full or substantial assurance opinion was given and five recommendations were made overall.</p> <p>In view of this, the re-prioritisation of the remaining audit work for 2020/21 and the limited availability of the auditee, a decision was made not to complete any detailed testing in this area. However, a position statement was compiled to quickly</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>capture any system or procedural changes that may introduce extra risk. Observations were as follows;</p> <p><b>Debtors:</b></p> <ul style="list-style-type: none"> <li>• Access permissions to the Debtors system have been allocated to the Recovery Team. It is recommended that these are reviewed to ensure an adequate segregation of duties exists;</li> <li>• Monthly reviews of Civica access permissions should be undertaken by the System Administrator going forward to ensure these remain up to date;</li> <li>• The introduction of a monthly or quarterly report detailing all the cancellations processed by the Recovery Team is suggested as an additional check to be completed by a Senior Manager;</li> <li>• An independent reconciliation of the debts written off on the debtors system to the amounts approved for write-off at the end of the year is not currently completed by the Financial Services Team. This will now be re-introduced;</li> <li>• The aged debt report continues to be issued to Senior Managers on request only and not on a quarterly basis as recommended in the previous audit review.</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p><b>Creditors:</b></p> <ul style="list-style-type: none"> <li>The last audit review suggested the introduction of two additional controls when changing suppliers bank account details – a monthly sample check of bank account changes processed to ensure the correct process has been followed and a check on the Companies House website to enquire if the company is in liquidation prior to changing bank account details. The officer's allocated responsibility for the completion of these checks have now left the council and these checks are not completed.</li> <li>The issue of a monthly report used to monitor instances where purchase orders are not raised prior to the receipt of an invoice is not currently completed due to a potential reporting error. This is to be investigated and the report re-introduced in due course.</li> </ul> <p><b>Budgetary control</b></p> <ul style="list-style-type: none"> <li>No observations to report</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								A follow-up review will be completed in three months to ensure these observations have been actioned.
Cash Receipting (front desk procedures and Fleetwood Market)	Position Statement Issued May 2021	N/A	N/A	N/A	N/A	N/A	Good	<p>The last audit review of cash receipting was undertaken by Lancashire County Council in 2017/18. Full assurance was given and no recommendations were made.</p> <p>In view of this, the re-prioritisation of the remaining audit work for 2020/21 and the limited availability of the auditee, a decision was made not to complete any detailed testing in this area. However, a position statement was compiled to quickly capture any system or procedural changes that may introduce extra risk. Observations were as follows;</p> <p><b>Civic Centre Reception</b></p> <ul style="list-style-type: none"> <li>The panic alarms in the civic centre reception area are not working and arrangements to repair these should be completed prior to the re-opening of the main reception desk.</li> </ul> <p><b>Fleetwood Market</b></p> <ul style="list-style-type: none"> <li>As identified in previous audit reviews 9 of the 25 traders occupying stalls on a casual basis were in arrears.</li> </ul>



TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>Arrangements to collect this income should be completed.</p> <p>A follow-up review will be completed in three months to ensure these observations have been actioned.</p>

### **2020/21 Audit work not completed**

As reported to Audit Committee on the 26 November 2020, owing to the on-going pandemic and the redeployment of both the Head of Governance and the Senior Auditor, no audit work was completed during the period 1 April to 31 August 2020. In addition, the Head of Governance was also away from the office for six weeks in September and October completing a piece of work for Lancaster City Council.

Given the limited resources in the team and the time left in the audit year to complete the original audit plan (7 months) the Head of Governance and the Senior Auditor carried out a risk assessment to ensure that the resources available were appropriately deployed to the 'high priority / key risk areas of the council'. It was agreed that where an audit was not to be rolled forward, a more detailed risk assurance mapping exercise would be carried out to obtain the necessary assurances in these areas.

The table above details the work that was completed during 2020/21 and the table below documents the work that was not completed and where assurance mapping has been completed if not rolled to 2021/22.

<b>Original 2020/21 Audit Plan work approved by Audit Committee</b>		
	<b>Rolled to 2021/22</b>	<b>Assurance mapping completed</b>
Accuracy of Information Risk Registers	✓	
Climate Change Emergency		✓
Disaster Recovery (council resilience)	✓	
Election Accounts	✓	
New Website		✓
Land Charges		✓
Pest Control		✓
Safeguarding		✓
Marine Hall	✓	

### **Other audit work undertaken during 2020/21**

#### **National Fraud Initiative – Cabinet Office data matching exercise**

The Compliance Team have now completed the 2018/19 NFI exercise and are now in the process of investigating the matches from the 2019/20 data matching exercise. Progress was stalled during 2020 owing to the Compliance Team being

heavily involved in the processing of the Covid-19 business grant payments. However, the results of both exercises will be reported to the Audit Committee later in 2021.

In addition to the annual mandatory exercise, the council were also required to upload data to the NFI site in January 2021 in relation to the three-Covid-19 business grants initiated in the first lockdown (retail, hospitality and leisure, small business and discretionary). The matches have been received and will be investigated imminently and reported alongside the results of the 2018/19 and 2019/20 NFI exercises.

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

The security and the use of the council’s business data continues to be a high priority of the organisation. The DPO reports quarterly to the Corporate Management Team, with the last update on the 26 May 2021 reporting the following;

- It was hoped that several pieces of work would be completed in 2021 to assist in obtaining assurances that adequate and effective controls were in place to manage the council’s business assets (data). However, owing to the on-going pandemic, the long-term absence of the Deputy DPO and the redeployment of the Head of Governance and the Senior Auditor to assist the community hubs from April to August 2020, the GDPR compliance work and the review of the council’s information asset registers have not been completed. This work has been re-scheduled and it is hoped that the new Audit, Risk and Performance Lead Officer will complete this work in July 2021 as part of the 2021/22 audit plan.
- Whilst ‘planned’ work has been delayed, it is important to note that the Audit and Risk Management Team were able to respond to the risks that emerged during the pandemic, in particular assisting the community hubs with the processing of vast amounts of personal/sensitive data. Given their expertise and GDPR training, the Head of Governance and Senior Auditor were asked to lead on the management of data going to and from the community hubs on a daily basis and to develop policies and procedures to assist the community hubs to ensure the data was processed in accordance with GDPR and the mandatory guidance from the NHS.
- Following the suspension of the Information Governance Group during the pandemic, the group met for the first time since January 2020 on the 1 March 2021. The first meeting was primarily to review the past 12 months, in particular, the ICT and data breach incident registers to ascertain any problem areas or identification of weakness of controls following the new working arrangements owing to the pandemic. The minutes and action plan

following this meeting were presented to CMT as part of the DPO's quarterly update on the 26 May 2021. Further meetings have been scheduled for June, September and December 2021. An agenda is formulated prior to each meeting with a number of standing items (SAR/FOI/EIR requests, ICT/data breaches, cyber security, corporate training and policy updates) making up a large proportion of the meeting.

- The council has continued to receive a steady flow of Subject Access, Freedom of Information and Environment Information requests during 2020/21 with the majority of the responses being issued within the statutory deadlines, despite a number of services being impacted by the on-going pandemic. Examination of the requests received over the last 12 months has again identified that the council would benefit from the production and publication of frequently requested datasets. This needs to be explored as soon as possible.
- Following a piece of work in November 2021 to test the council's compliance to the Transparency Code (The Code), the Elections and Information Governance Manager has recently completed a follow-up review to identify if the issues raised have been rectified. Whilst some progress has been made, there are still a number of service areas that need to upload specific documents to the council's website to ensure compliance to The Code. A further review will be completed in three months' time, following which any further non-compliance will be reported to the relevant Director.
- As reported in the November progress report to Audit Committee, the Data Protection Policy was temporarily updated to reflect the absence of a corporate training package and the arrangements to train new starters in relation to data security/GDPR. New starters continue to be issued with the Data Protection Policy (last updated November 2020) and are also asked to sign a 'declaration of understanding'. Since this update, the council has now procured a corporate training package called 'Learning Pool' which will initially mainly be used to induct new starters. Once developed it will also be used to refresh existing staff knowledge and understanding of relevant policies and procedures. It is understood that the software has a number of 'standard modules' that can be used or adapted to assist with the training/refresh of GDPR and Information Security procedures. In addition, following the cancellation of the external FOI/EIR training in May 2020 and several failed attempts to procure another provider, it is hoped that a module on this area can also be developed.
- For safety reasons, the security sweeps that were scheduled to take place in December 2020 were postponed. It is hoped that some form of building inspection will be completed in the next few months once the Covid-19 restrictions have been lifted completely and staff being to return to the office.

- There are no information governance risks identified on the strategic risk register. However ICT/cyber risks continue to be monitored separately on a regular basis by the Senior Auditor, Director and Head of ICT. Further details of this monitoring can be found at Appendix 2 of this report.

Overall, there are no significant concerns in relation to the security and use of the council's business assets (data) but it is important that assurances are sought going forward and that delayed work is completed during 2021.

### **Anti-Fraud and Corruption**

The council has a number of counter fraud policies, which are designed to prevent and detect fraud across the council. The main four policies are; Whistleblowing, Anti-Money Laundering, Gifts, Hospitality and Registering Interests and Anti-Fraud, Corruption and Bribery. All policies are reviewed and approved annually by the Audit Committee and can be found on SharePoint for easy access. All new starters and Elected Members are also presented with these policies at their induction session. Ethical Governance Surveys are completed every three years to test user's knowledge and understanding, with the last staff exercise being completed in 2019. Owing to the on-going pandemic, Elected Members have yet to complete this survey; however, they are expected to complete the exercise in autumn 2021.

There have been no whistleblowing calls during 2020/21 that have required internal audit investigation and no reports of suspected money laundering.

The Audit and Risk Management Team continue to 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 2020 there have only been two declarations made, compared to the 19 items declared in 2019/20. This significant drop in numbers is considered appropriate given the current working arrangements of the staff at the Civic Centre owing to the on-going pandemic. Given the low number of entries, the Monitoring Officer has not yet examined the register. A reminder will be issued to staff on the Hub.

### **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 business Support and ratified by the Corporate Director

Resources (Section 151 Officer) in June 2021 identified no issues that required following-up or reporting in the 2020/21 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 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 2018. 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 Head of Internal Audit 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 and the Local Government Application Guidance Note. From this assessment an action plan highlighting areas for improvement will be developed. The results of this exercise are reported to the Audit Committee 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 and the Local Government Application Guidance Note;
- 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 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 completed in June 2021 there are no deviations to report in the 2020/21 Annual Governance Statement.

**Compliance Team**

Since April 2020, the Compliance team have been heavily involved with the processing and payment of Covid-19 business grants totalling in excess of £50m. Whilst the team have continued to carry out their statutory responsibilities during the pandemic, other work such as debt recovery has been significantly reduced to allow the team to pick up this additional workload.

The team have been responsible for designing the application processes and processing of a number of business grant schemes, namely the Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, Local Authority Discretionary Grant Fund, Local Restrictions Support Grant (Open), Local Restrictions Support Grant (Closed), Local Restrictions Support Grant (Sector), Local Restrictions Support Grant (Closed) addendum, Additional Restrictions Grant, Christmas Support Payment for wet-led pubs, Restart Grants and the Closed Business Lockdown Payment.

Looking forward to 2021/22, the Compliance Team will continue to be responsible for ensuring any future schemes are administered in accordance with their terms and conditions, with Internal Audit being utilised to verify that the necessary pre

and post assurance checks have been completed, similar to those carried out by the recent National Fraud Initiative exercise.

**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:

- 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;
- The risk management arrangements and the framework of assurance; and
- The operation and design of the governance arrangements.

The table below shows the total number of completed pieces of work by Wyre Council during 2020/21 and the overall audit opinion that was given.

**Wyre Council Audit work completed / reports issued**

Audit Opinion	Excellent	Good	Fair	Weak	Poor	No Opinion Issued	Total
Number of Audits	<b>1</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>13</b>

Of the 22 pieces of audit assurance work originally agreed in the 2021 audit plan, work has been carried out in 13 of these areas. As reported earlier in this report, owing to the on-going pandemic and the limited resources within the Audit Team during April to August 2020, a risk assessment was completed to ensure resources were deployed to the right areas. Following the exercise, it was decided that work was still required in 4 of the original audit areas identified (and therefore rolled to the 2021/22 audit plan), and that in the remaining areas, more detailed assurance



mapping needed be carried out to ascertain other assurance streams that could be relied upon when forming an overall opinion.

**Head of Internal Auditor's opinion on the council's internal control environment**

Following the work carried out during 2020/21, adequate assurance can be given on the overall adequacy and effectiveness of the council's governance, risk management, and control processes (i.e. the system of internal control). There is a sound system of internal control designed to achieve the council's objectives and controls are generally being applied consistently. This opinion does not imply that internal audit have reviewed all risks and assurances relating to the council. The purpose of my opinion is to contribute to the assurances already available to the council. Despite the pandemic, the council's risk management and assurance framework and overall governance processes continue to be well supported and operate effectively across the organisation with key officers participating in risk workshops and in the formulation of the Annual Governance Statement.

For the second year running, it is pleasing to see that no areas reviewed have been given either a 'weak' or poor' audit opinion. In addition, individual reports confirm that no areas of concern were required to be brought to the attention of the Section 151 Officer or required reporting in the Annual Governance Statement as a 'significant' area of concern.

Whilst the on-going pandemic did affect the delivery of the audit plan and the audit team may not have provided assurance in all previously agreed areas, owing to the 'pause' in service from April to August, it should be noted that the audit function did respond positively in addressing the council's key risks during the pandemic. The pandemic also impacted the availability of auditees, so alternatives to intensive testing have been used, such as producing position statements to quickly capture any system or procedural changes that may introduce extra risk. In addition, assurance mapping statements continue to be used to gather intelligence about other sources of assurance, other than those obtained from internal audit that can be relied upon when forming my overall opinion.

Finally, in an unprecedented year, where the council has faced significant pressure in a number of areas, further assurances can be sought from my extensive experience and knowledge of the council's systems and processes and the previous years' audit opinions, which have consistently reported a stable position.

## **RISK MANAGEMENT PROGRESS REPORT**

### **RISK MANAGEMENT PROGRESS REPORT**

#### **Strategic Risks**

The Corporate Management Team (CMT) met on the 25 February 2021 to carry out the annual strategic workshop. The results of this workshop can be found at Appendix 3 to this report. A quarterly updated was completed on the 14 April with further reviews being scheduled for the 21 July and 13 October 2021.

#### **Operational Risks**

Progress on the embedding of risk management is reported to the Audit Committee via six monthly reports by the Head of Governance and Business Support. 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 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 on-going epidemic, risk workshops were completed virtually through TEAMS. 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.

<https://wyregovuk.sharepoint.com/sites/Governance/SitePages/Risk-management.aspx>

## **Brexit Risks**

Following the UK leaving the European Union in January 2020, any remaining BREXIT risks have been amalgamated within individual service risk registers.

## **ICT Risks**

The council's ICT risk register is reviewed quarterly by the Corporate Director Communities, Head of ICT and the Senior Auditor. The last review was completed on the 16 April 2021 and the result of this review can be found by following the link below. The next review is scheduled for the 13 July 2021.

<https://wyregovuk.sharepoint.com/sites/Governance/SitePages/Risk-management.aspx>



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**Wyre Council - Audit and Risk Management**

**STRATEGIC RISK REVIEW**

**25 February 2021**

## Report Contents

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<b>5.0 Directorate operational risk registers</b>	<b>5</b>

**Appendix A - Risk Profile**

**Appendix B - Risks above the appetite**

**Appendix C - Risks below the appetite**

## 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 25 February 2021 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 (excluding the Chief Executive), Head of Governance and Chair of the Audit Committee. 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 2021/22.

## 2. Executive Summary

- 2.1 The last half yearly review of the strategic risk register was completed in October 2020 by the Corporate Director of Resources and the Corporate Director of Communities. 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 2 new risks. The 8 risks remaining from the original register were reviewed in terms of likelihood and impact resulting in 7 retaining the same rating and 1 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 9 risks above the risk appetite. The completed matrix is shown in Appendix A.
- 2.4 Following the assessment the 9 risks above the risk appetite are as follows:

<b>Risk Number</b>	<b>Description</b>
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.
49	Project Neptune does not proceed damaging the council's reputation and leading to abortive costs.
50	The administration and management of the May 2021 elections may be severely affected by the absence of key election staff and the lack of polling and counting staff due to the Covid-19 pandemic.

- 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.
- 2.6 In respect of the risk sitting below the appetite (Appendix C) it is important that the controls already in place are regularly reviewed to ensure these continue to sufficiently control this risk and no additional action is required to ensure that the likelihood and/ or impact does not alter significantly.

### **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 2021.

#### **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 2021 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 2021/22.



### Appendix A - Risk Profile

<b>A</b>			18 23 26 42 43 46 47	
<b>B</b>			49 50	
<b>C</b>		48		
<b>D</b>				
<b>E</b>				
	<b>IV</b>	<b>III</b>	<b>II</b>	<b>I</b>

**Impact**

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

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

**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 (2021/22). 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 2025/26 is £2.9m.	<ul style="list-style-type: none"> <li>• Further savings will need to be identified</li> <li>• The 4 year business plan may need to be reviewed in accordance with resources available</li> <li>• Negative impact on staff resulting from uncertainty about the future</li> </ul>	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"> <li>• Additional savings / cuts in services may be required</li> <li>• Members' trust in the Corporate Management Team and the SLT to deliver future savings will be affected</li> <li>• The impact of further reductions in government grants will be exacerbated</li> </ul>	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"> <li>• Additional savings / cuts in services will be required</li> <li>• Additional borrowing costs will exacerbate the funding gap</li> <li>• Assets will deteriorate and maintenance costs will increase</li> <li>• Resident satisfaction levels will reduce</li> </ul>	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"> <li>• Pooling arrangements for 2021/22 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.</li> <li>• Further consequences linked to those risks 18 and 23.</li> </ul>	Clare James

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
43	Critical / High	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 2021/22 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"> <li>• Projects are not delivered</li> <li>• Loss of reputation</li> <li>• Staff frustration as services are not improved</li> </ul>	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"> <li>• Loss of knowledge / experienced staff</li> <li>• Unable to recruit qualified / skilled staff</li> <li>• Council projects are not delivered</li> <li>• Existing resources are stretched</li> </ul>	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, due to the Covid-19 pandemic the projected reductions in the current subsidy will not be achieved leading to increases in council expenditure.	<ul style="list-style-type: none"> <li>• Expected returns from council investment are not achieved</li> <li>• Significant increases in council expenditure</li> <li>• Reduced income</li> <li>• Reduced leisure provision for local residents</li> </ul>	CMT

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
49	Critical / significant	Project Neptune does not proceed damaging the council's reputation and leading to abortive costs	Project Neptune is a development of commercial units as part of a wider regeneration project at Fleetwood Docks in conjunction with ABP the landowners. Terms and conditions for the grant funding of £4m have been agreed with the LEP and tenders will be carried for the works to be completed. However there is a risk that ABP will not agree to the funding T&Cs and the tenders they issue will come in over budget preventing the project from proceeding.	<ul style="list-style-type: none"> <li>• Loss of initial project expenditure</li> <li>• Council reputation is damaged</li> <li>• Regeneration of the area is not completed</li> <li>• Grant funding is not received</li> </ul>	Marianne Hesketh
50	Critical / Significant	The administration and management of the May 2021 elections may be severely affected by the absence of key election staff and the lack of polling and counting staff	The Elections Manager is currently on LTS and the management of the May 2021 elections is being undertaken by the Electoral and Civic Services Officer. However, if the ECSO is absent, there is a lack of experienced staff within the council or externally from other councils to undertake this role. In addition the pandemic has affected the availability and recruitment of polling and counting staff. Therefore, there is a risk that the	<ul style="list-style-type: none"> <li>• Council reputation is damaged</li> <li>• Loss of knowledge / experienced election staff</li> <li>• Polling / counting staff shortages due to shielding or Covid-19 infection</li> <li>• The election is not successfully delivered</li> </ul>	Garry Payne

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		due to the Covid-19 pandemic.	election will not be successfully delivered damaging the council's reputation.		

**Appendix C – Strategic risks below the risk appetite**

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
48	Marginal / Low	Due to the impact of the Covid 19 pandemic, the council's ability to provide services and maintain a balanced budget is severely affected resulting in a s114 notice being issued and services cut.	There is a global pandemic and England is currently in the transition to recovery phase with some lockdown measures still in place. The central government funding provided to each authority during the pandemic and the income compensation scheme being developed is not sufficient to cover the full impact of the pandemic and the ongoing impact is such that a s.114 notice is triggered. Staff and/or contractor shortages limit the services that can be safely and professionally delivered and some may have to be suspended or cut as a result of the overall position (including financial).	<ul style="list-style-type: none"> <li>• Staff shortages due to shielding or covid 19 infection</li> <li>• Services cannot be delivered or are suspended</li> <li>• Reduced income levels</li> </ul>	CMT

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Report of:	Meeting	Date	Item no.
Corporate Director Resources (S151 Officer)	Audit Committee	15 June 2021	8

<b>DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21</b>
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## 1. Purpose of report

1.1 To approve the draft Annual Governance Statement (AGS) for 2020/21 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 2016'. 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.

**4.5** In February 2021 CIPFA also published a special Bulletin on the AGS (No.6) to provide additional guidance on how to adapt the content of the AGS to reflect the impact of the pandemic. As a result, new sections have been included in the AGS to reflect the changes to governance arrangements at the council and the council’s response to Covid-19. The bulletin also refers to the new Financial Management Code which has been introduced by CIPFA and although it is not yet statutory, 2020/21 is being treated as a ‘shadow year’ for its eventual adoption in full. It is recommended that the AGS documents any review undertaken of the council’s compliance with the Code and a section has been included to reflect this.

**5. Key Issues and proposals**

**5.1** The draft AGS for 2020/2021 is attached at Appendix 1. 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.

<b>Financial and legal implications</b>	
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.

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

<b>risks/implications</b>	<b>✓ / x</b>
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	<a href="mailto:joanne.billington@wyre.gov.uk">joanne.billington@wyre.gov.uk</a>	07.06.21

<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

### **List of appendices**

Appendix 1 – Draft Annual Governance Statement 2020/21

## **DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21**

### **1.0 INTRODUCTION TO CORPORATE GOVERNANCE**

1.0 Good governance is about how the council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, culture and values by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities. 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 2016.

### **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 2021 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 PROCESS FOR THE COMPLETION, REVIEW AND REPORTING OF THE ANNUAL GOVERNANCE STATEMENT**

- 5.1 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.

- 5.2 Each year, normally in April, 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.

- 5.3 In addition, evidence to produce the statement is also collected from a number of other sources, namely:

- The views of Internal Audit through regular progress reports, the Annual Internal Audit Opinion and the review of the effectiveness of Internal Audit,
- The views and reports of our external auditors in their value for money opinion, and the
- Examination of risk reports, risk registers and an overview of the risk management process.

- 5.4 Following this meeting, this information is collated and a draft statement is produced and circulated for comment. The final draft version of the statement

is presented to Audit Committee for approval. Once approved by the Audit Committee, the statement is then signed by the Leader and Chief Executive and will ultimately form part of the 2020/21 Statement of Accounts. The draft Annual Governance Statement can be updated up to the date of the signing of the Statement of Accounts.

## **6.0 HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK**

6.1 Set out below is how the council has complied with the seven core principles set out in the CIPFA / SOLACE framework during 2020/21.

### **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. A different document is currently used for Corporate Directors which doesn't include an opportunity for personalised commentary by the Chief Executive of Corporate Directors or a Personal Development Plan. This weakness will be addressed on future versions.
- The council has a Member Code of Conduct in place that sets and 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.
- Ethical Governance Surveys are carried out every three years to test both staff and

elected Members knowledge and understanding of the council's key policies and procedures. The last staff survey was carried out in 2019(?) and the Member survey is scheduled for 2021.

- Protocols are in place for partnership working. These are documented in the council's Financial Regulations and Financial Procedure Rules and are subjected to an annual review.
- 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).
- The S.151 Officer is a qualified CIPFA Accountant and Member of the Association of Accounting Technicians.
- 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.
- All allegations concerning breaches of the code by elected Members are thoroughly investigated.
- 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. Following the UK's exit from the European Union, updated training will be arranged. 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.
- During the on-going pandemic, Executive and certain Non-Executive Decisions

were delegated to officers and taken under 'Emergency Powers'.

## **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. During 2020/21, the 2019/20 accounts were delayed and signed off in March 2021, after the statutory deadline (30 November 2020) had passed, owing to the pandemic. This was a common occurrence nationally as the pandemic continued to have a significant impact on the council's day-to-day activities and capacity was stretched both internally and for the external auditors. However, the accounts were certified unqualified by the External Auditors who also issued an unqualified value for money conclusion for the 2019/20 financial year.
- 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 has recently completed a review of its compliance to the Local Government Transparency Code 2015 and is working towards full compliance.
- 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.
- Following the impact of on-going pandemic, all audio and visual recordings of Council meetings are available on the council's website and YouTube.
- A property investment panel has been established which will consider proposals for investment opportunities.
- The council's new intranet and use of Office 365 includes more ways for the organisation and staff to share information on the 'Wyre Hub' and through applications like Yammer and Delve.

### Engaging comprehensively with institutional stakeholders

- During the on-going pandemic, the council met regularly with the YMCA to oversee the operation of the council's leisure centres and pools.
- The council has established a Beach Management Board that meet on a monthly



basis to oversee the scheme which is estimated to cost £42m.

- 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.
- In response to the pandemic, Community Hubs were established and strong relationships were developed with a number of key partners (NHS, Police LFRS, Food Banks) to assist the community throughout the crisis.

#### 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 has 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 (closed during the pandemic).
- 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.
- All Wyre residents were contacted by letter during the pandemic and Community Hubs were set up to address the needs and requirements of the community.

### **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 plan undergoes a 'light touch' annual refresh with a more comprehensive review undertaken every four years to coincide with the borough election cycle.
- 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.
- During the pandemic, weekly returns were submitted via Lancashire County Council to the Ministry of Housing, Communities and Local Government.

#### 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 considers 'Social Value' when procuring goods and services.
- £300,000 has been set aside in the 2021/22 budget for a new town centre strategy fund which will help our town centres respond well following the pandemic.
- Following a successful Heritage Action Zone bid the council is working with Historic England to develop a proposed scheme to create new ways to champion and revive Fleetwood's historic high streets.
- The council is working with Allied British Ports and other partners to bring new commercial floor space at Fleetwood Docks to help safeguard the fish processing industry for Fleetwood.
- The council contracts with an external operator to run a weekly online community

lottery to provide good causes and community groups with a simple and accessible way to raise funds.

- The council has worked closely with local business to help them re-open safely during the pandemic.

## **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.
- A Digital Transformation Board is in place to oversee key infrastructure projects.

### Planning interventions

- The Council's business plan is refreshed annually and is subject to review by the Overview and Scrutiny Committee 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 demographic information, including locality plans, neighbourhood profiles 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

- The council continued to support the YMCA during the on-going pandemic and allocated nearly £1m in additional Covid funding for 2020/21. As previously reported in last year's Annual Governance Statement, the YMCA will not meet the agreed subsidy target in 2020/21. A bid to the National Leisure Recovery Fund (£0.2m) was successful in 2020/21 and this funding was used to support the reopening of the Leisure Centres in April 2021. Further financial and marketing support has been included in the 2021/22 budget.
- 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 (PDP). A different document is used for Corporate Directors and this doesn't include a PDP or the opportunity for personalised feedback. This weakness will be amended for future appraisals.
- In 2020/21, the council's Chief Internal Auditor undertook a similar role for Lancaster City Council on a contractual basis. This arrangement ceased on the 31 March 2021.
- 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 is continuing to liaise with advisory bodies and work with partners across the Lancashire Waste Partnership to respond to the current consultations linked to the waste and resource sector and likely to bring changes to the sector and for households and commerce once the Environment Bill is passed through Parliament.

#### 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.
- An independent review of the Scrutiny function was carried out in 2020/21 by the Centre for Governance and Scrutiny and a workshop is scheduled for June 2021 to begin implementing their recommendations.
- The council supported three individuals through an apprenticeship scheme in Leadership and Management.
- Effective management arrangements are in place both at the top of and throughout the organisation to support the health and wellbeing of officers. Separate surveys of staff and Members were undertaken during the pandemic to address the health and wellbeing needs of both groups. Actions from both surveys have been identified and steps are being taken to implement additional support e.g. the Listening Ear service.
- 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. It should be noted that the Monitoring Officer (MO) left the council on 1 June 2021 and the Deputy MO has now assumed the role. Owing to their long experience deputising in the role and the appointment of the HR Manager as their new deputy, it is not anticipated that this will be a governance issue.
- 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.

## **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.
- In 2020/21 the council had individual BREXIT and ICT risk registers in place which were reviewed on a quarterly basis.
- Strategic and operational risk registers are maintained and workshops are held regularly to review current risks and identify any new risks. Whilst the Strategic Risk Workshop was held face-to face with a reduced number of participants present owing to the pandemic, operational risk workshops were held virtually.
- Most services have detailed Information Asset Registers in place which 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 report 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 last 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.
- The council has a data classification scheme 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 2019/20 financial year.

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

### Implementing good practice in transparency

- 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.
- The council has recently completed a review of its compliance to the Local Government Transparency Code 2015 and is working towards full compliance.

### 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 on the overall adequacy and effectiveness of the council's governance, risk management, and control processes (i.e. the system of internal control). There is a sound system of internal control designed to achieve the council's objectives and controls are generally being applied consistently.
- 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 Service Development Board, the Leisure Management Partnership Board and the Fylde and Wyre Health and Wellbeing Board.

## **7.0 RISK MANAGEMENT**

- 7.1 The council has adopted a corporate risk management policy and operates a fully integrated risk management system across the organisation.
- 7.2 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 are identified and assessed, and appropriate control measures are in put place. The report and associated action plan is presented to Audit Committee and progress is monitored on a quarterly basis through the CMT. This year, CMT met on the 25 February 2021 to carry out the annual strategic workshop. The results of this workshop can be found at Appendix 3 of the Annual Internal Audit Report for 2020/21.
- 7.3 Operational risk workshops were held in February / March this 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. Owing to the on-going epidemic, the workshops took place through TEAMS. 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. Whilst the council is currently using spreadsheets to assist with the management of both strategic and operational risks, the council is in the process of procuring software to facilitate the administration processes. Risk registers are all visible on SharePoint and 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.
- 7.4 During 2020/21, the council also had separate risk registers for both ICT and BREXIT. The council's ICT risk register is reviewed quarterly by the Corporate Director Communities, Head of ICT and the Senior Auditor and the results of these reviews can be found on SharePoint.
- 7.5 In preparedness for the UK leaving the European Union in January 2020, the council populated a BREXIT risks register which was reviewed on a

regular basis following updates from Central Government, CMT and Head of Service. Following the departure from the EU in January 2021, this register has now been disbanded and any on-going risks / concerns have been amalgamated with individual operational risk registers.

- 7.6 Despite the pandemic, the council's risk management and assurance framework continued to be well supported and operated effectively across the organisation, with key officers participating in risk workshops and identifying and reporting new risks as they arise.

## **8.0 EVALUATION OF THE EFFECTIVENESS OF INTERNAL CONTROL**

- 8.1 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.

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

- 8.3 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.

- 8.4 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 2020/21 concluded that 'adequate assurance can be given on the overall adequacy and effectiveness of the council's governance, risk management, and control processes (i.e. the system of internal control). There is a sound system of internal control designed to achieve the council's objectives and controls are generally being applied consistently.

- 8.5 It reported that for the second year running, no areas reviewed were given either a 'weak' or poor' audit opinion and that individual reports confirm that no areas of concern were required to be brought to the attention of the Section 151 Officer or required reporting in the Annual Governance Statement as a 'significant' area of concern.

- 8.6 It also stated that whilst the on-going pandemic did affect the delivery of the audit plan and the audit team may not have provided assurance in all

previously agreed areas, owing to the 'pause' in service from April to August, the audit function did respond positively in addressing the council's key risks during the pandemic.

## **9.0 VALUE FOR MONEY CONCLUSION**

- 9.1 The External Auditors issued an unqualified value for money conclusion in their most recent review for 2019/20. 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.

## **10.0 SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED**

- 10.1 No significant governance issues have been raised that require documenting separately in the Annual Governance Statement for 2020/21. However, 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.
- 10.2 There were no significant governance issues raised in the 2019/20 Annual Governance Statement that were required to be followed-up and the minor issues identified at that time have been monitored and were last reported to the Audit Committee in November 2020. These have either been implemented or have been carried forward to the 2020/21 action plan.

## **11.0 CHALLENGES FROM COVID-19**

- 11.1 This section considers the impact of the Covid-19 pandemic on the adequacy of the governance arrangements during this period.

### Impact on business as usual in the delivery of services

- 11.2 Social distancing measures have had a significant impact on the council's decision-making procedures. MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority meetings held between 4 April 2020 and 6 May 2021. These regulations provided for remote access to meetings of local authorities by members of a local authority and by the press and public. The council put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and to allow for public participation. All of our meetings have been broadcast live and made available on our Website and on our YouTube Channel. During the period to September prior to the commencement of virtual meetings, to enable decisions to be made during the crisis, delegated powers were also given to the Chief Executive and other officers in consultation with the Leader and Group Leaders. This meant that the council was able to respond to urgent matters swiftly,

particularly during the first lockdown. These powers remained in place as a fall-back position until May 2021 but were exercised by exception only.

- 11.3 From April 2020, home working was facilitated for the majority of council staff. Those that could work from home, were equipped to do so and those that couldn't, were made to feel safe when coming into the office. Whilst some staff struggled with the challenges of remote working and the new software being used to facilitate these new working arrangements (TEAMS, Webex etc.), advice and guidance was created and circulated by ICT. A similar approach was taken with elected Members and feedback from the two main surveys conducted in 2020 were largely positive.
- 11.4 All services have continued to operate as normal where possible. All of the council's activities were risk assessed and additional control measures were put in place. These included social distancing in offices, extra PPE, hand sanitizers, plastic screens, photocopier stylus and implementing new changes to work patterns. Where essential, home visits and property / business inspections were carried out under Covid-19 secure protocols. Maintaining front line services was one of the council's priorities during the pandemic with the council working hard with our waste collection provider to ensure the household, garden and bulky waste service operated with as little disruption to services as possible.
- 11.5 The Communications Team have used the council's website, Facebook page and Twitter to keep our customers / residents up to date with changing legislation and we have worked hard to ensure that they feel comfortable when using our services or visiting our buildings in limited circumstances. The Chief Executive and Human Resources Team issued regular emails to staff and elected members to ensure that they had the most up to date information to pass on to staff, residents and stakeholders. Over the pandemic period, Corporate Management Team and the Senior Leadership Team meetings have continued via Teams and Webex.

#### Areas of activity as part of the national response to coronavirus

- 11.6 In April 2021 four Community Hubs were established in conjunction with established volunteer groups, to support those on the NHS shielding list and the vulnerable. Teams whose usual work had ceased or reduced were moved into new areas of activity, with much achieved through agile working measures. For example, a dedicated call centre for the Community Hubs was operated remotely by staff working from home or the office, with ICT solutions put in place to enable this to happen. This was operated not only during normal business hours, but also at times during the evenings and weekends.
- 11.7 The Housing Team worked closely with both the social and private housing sectors to ensure the council were able to provide support to the homeless and anyone at risk of becoming homeless.
- 11.8 Environmental Health played a significant role in ensuring Covid-19 regulatory advice from regulatory bodies was cascaded internally and

externally to residents and businesses across the Borough. Covid-19 enforcement work was also undertaken, with some support from a contractor. A wide range of activities, including test and trace, have had a significant impact on the traditional work streams of the team.

#### Funding consequences during the local government response

- 11.9 The ongoing Covid-19 pandemic has had a financial impact on the council which is still being assessed. Emergency Covid-19 funding from central government in conjunction with other Covid related grant streams and the Sales, Fees and Charges income compensation scheme have helped to cushion the council from the impact. It is likely though that ongoing pressures will increase as this funding ceases and whilst the council's reserves and balances are healthy this position will need to be monitored throughout 2021/22.

#### Longer term disruption and consequences arising from the coronavirus pandemic

- 11.10 It is essential that the council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and potentially into the future. It is difficult to make a reliable estimate of the full impact on the future, financial years. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession. This means that the assumptions underlying later years in the MTFP will almost certainly need to change, potentially making the 'funding gap' for 2021/22 and beyond larger.

#### Positive outcomes for the council

- 11.11 The pandemic has not been without some positive outcomes for the council. The council provided sound leadership during the crisis with the ability to move resources around to ensure that it had the capacity to respond and change at pace where needed. Staff have demonstrated that they can adapt well and change working practices and culture to deliver services successfully virtually and remotely. The pandemic strengthened the resilience of some aspects of ICT, particularly remote working capability. Work to our ICT infrastructure continued during the pandemic and further improvements are planned. It has facilitated a move towards more agile working practices such as hot desking, with less reliance on physical office space, providing the catalyst to make changes which people are accepting of, without the normal change curve and inherent tensions.

## **12.0 FINANCIAL MANGEMENT CODE**

- 12.1 CIPFA have introduced a new Financial Management code which is set to be implemented from 2021/22, with 2020/21 acting as a 'shadow year'. This timetable remains despite the pandemic but it is acknowledged that many authorities will still be working towards compliance during 2021/22 and

beyond. The Code is designed to reflect the position local authorities find themselves in whereby the challenges of reduced funding and increased demand for services means that robust financial management is more important than ever. A series of high profile issues faced by a number of local authorities in recent times has highlighted the need to embed the principles of good financial management across all the ways that council's operate. As such, the Code sets out minimum standards and principles that authorities should seek to achieve. It is designed to be flexible to the nature, needs and circumstances of individual authorities and it is for each to determine to what degree they comply with the code and where further steps may be required.

12.2 The council's S.151 Officer has carried out a review of the Financial Management Standards and is confident that the council can demonstrate compliance against each. That is not to say that improvements cannot be made and one area has been identified as being of benefit to the council to further develop. This relates to long-term financial planning which has been problematic owing to the succession of one year financial settlements in recent times and the intention of central government to undertake significant reforms to local government funding with little actual progress being made, not least owing to the pandemic in 2020/21.

12.3 Currently a long-term capital programme is published as part of the Capital Strategy but the equivalent is not published for the revenue forecast. Whilst many council's have reduced their Medium Term Financial Plan (MTFP) period to one or two years owing to the uncertainty of government funding, Wyre's MTFP period has been increased to a five year plan (current year plus four years). This was deemed prudent by the S.151 Officer despite the lack of a multi-year settlement and is intended as a bridge to when more clarity is delivered about the Fair Funding Review and other delayed reforms. The MTFP acts as an 'early warning system' for the council's finances and is strengthened by maintaining a true medium-term approach.

12.4 Whilst longer term forecasting is fraught with uncertainty, there are approaches the council can take to undertaking more horizon scanning around the impact of factors such as increasing demand, aging population, climate change and hybrid working to name a few. An exercise will be undertaken during 2021/22 to commence capturing these longer-term drivers of costs and income with the Senior Leadership Team in order to strengthen the long-term financial planning at the council and improve compliance with the new Code.

### **13.0 OVERALL OPINION ON THE EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS**

13.1 As reported in the Annual Internal Audit report, despite the pandemic, and the significant pressure the organisation has faced during 2020/21, it is pleasing to report that governance processes and the overall framework have been well supported and have continued to operate effectively across the organisation.

#### **14.0 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 31 March 2021 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 31 March 2021 is satisfactory.*

**CHIEF EXECUTIVE**

**G PAYNE**


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Member Training  
2020/21  
Statement of Accounts  
Audit Committee  
June 2021


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### Setting the Scene

Members in their role as governors ...

- Are requested to approve and authorise the statements
- Need to reasonably understand the statements that they are approving
- Must approve the accounts as the Executive (Cabinet) and Overview and Scrutiny Committee are statutorily precluded from doing so




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### Setting the Scene

The Accounts must...


- Be prepared and approved by the responsible financial officer by 31 May (extended to 31 July in 2021 and 2022 owing to COVID-19)
- Be published on the website, with the Auditor's Report, no later than 31 July (extended to 30 September in 2021 and 2022 owing to COVID-19)
- Comply with Accounts and Audit Regs 2015
- Comply with the Code of Practice on Local Authority Accounting



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### What must the Statement include?

- Narrative Report (includes an Explanatory Foreword and non-financial information about the council, performance, area etc.)
- Statement of Responsibilities
- Independent Auditor's Report
- Annual Governance Statement
- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet




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### Setting the Scene

The Accounts must...


- Be audited by External Auditors (Deloitte)
- Be available for electors to inspect for a single period of 30 working days between 1 June and 12 July (including the first 10 working days of June) ... Now the first 10 working days in August owing to COVID-19 for 2020/21 and 2021/22
- ...Electors can question the External Auditor about the accounts but the Auditor does not have to answer questions about the Council's policies, finances, procedures or anything else that is not relevant to the accounts



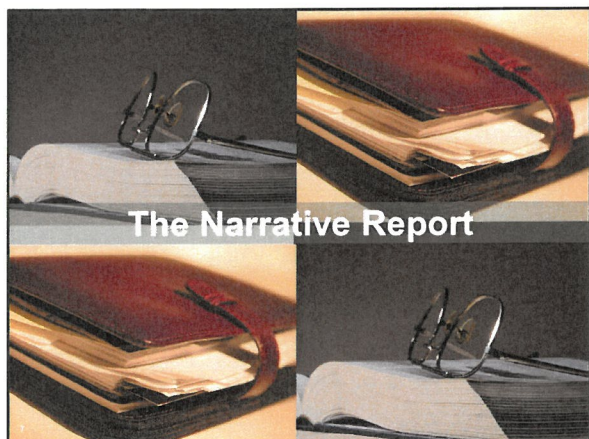
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### What must the Statement include?

- Cash Flow Statement
- Notes to the Financial Statements
  - Expenditure and Funding Analysis
  - Collection Fund Account
- Notes to the Collection Fund
- Glossary of Accounting Terms
- Links to Other Financial Information (i.e. the Council's website showing council budgets and spending)





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### Statement of Responsibilities

**The Authority** is required:


- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. (Corporate Director Resources – Chief Financial Officer)
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts





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### The Narrative Report

- "...should offer interested parties a concise and easily understandable effective guide to the most significant matters reported in the accounts."
- Not formally part of the Statement of Accounts
- Its content and style should be a matter of local judgement...
- ...but they recommend eight elements with numerous sub-analysis points for inclusion!






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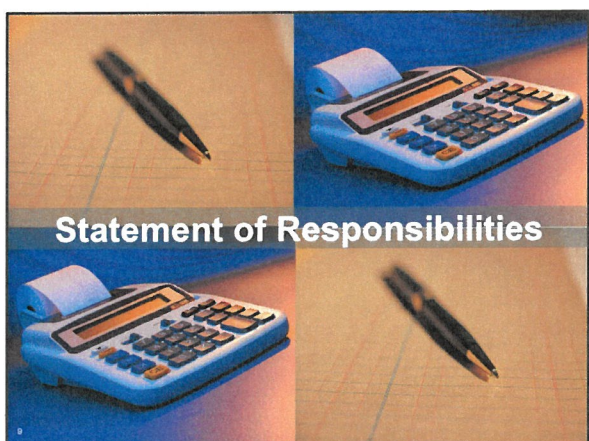
### Statement of Responsibilities

**The Chief Financial Officer** is required:

- To prepare the Statement of Accounts in accordance with proper practices
- To select suitable accounting policies and apply them consistently
- To make judgements and estimates that are reasonable and prudent
- To comply with the Code of Practice on Local Authority Accounting
- To keep proper accounting records that are up to date
- To take reasonable steps to prevent and detect fraud and other irregularities




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### Statement of Responsibilities

The **Chief Financial Officer** in accordance with the 2016 CIPFA publication 'The Role of the Chief Financial Officer in Local Government' is also responsible for:

- Ensuring appropriate advice is given on all financial matters, for keeping financial records and accounts and for maintaining an effective system of financial control
- Publishing annual accounts on a timely basis to communicate the organisation's financial position and performance




<sup>12</sup> Together we make a difference...

### Statement of Responsibilities

Accounts to be signed and dated by:


- Responsible Financial Officer to certify that the accounts present a 'true and fair view of the financial position and its income and expenditure' in May and again prior to Audit Cttee in July (deadlines extended owing to COVID-19 to July and September)
- Presiding Member at the Committee meeting at which the accounts were approved.



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### Value for Money (VFM) Commentary

- New 'VFM Commentary' from 1 April 2020 not 'VFM Conclusion'.
- Good VFM is the optimal use of resources to achieve the intended outcomes. 'Optimal' means 'the most desirable possible given expressed or implied restrictions or constraints'. VFM is not about achieving the lowest initial price.
- The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- The Auditors have a responsibility to satisfy themselves that proper arrangements have been made having regard to relevant criteria specified by the NAO.
- They will plan their work based on consideration of the significant risks of giving a wrong conclusion; and will carry out as much work as is appropriate to enable them to give a safe conclusion on the arrangements to secure VFM.





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### Independent Auditor's Report


- Prepared in accordance with:
  - Local Audit and Accountability Act 2014
  - National Audit Office's Code of Audit Practice
- Evidence that the accounting statements:
  - Give a true and fair view of the financial position
  - Have been prepared properly in accordance with the Code of Practice on Local Authority Accounting
- Report to those charged with governance (the Audit Committee) thereby complying with the International Standard on Auditing (ISA260).
- Accounts production and audit process requires the Auditors to communicate their views about the significant qualitative aspects of the Authority's accounting practices and financial reporting (ISA260).

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### Annual Governance Statement


- Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to carry out an annual review of the effectiveness of the system of internal control and prepare an AGS
- The AGS should be approved in advance by Audit Committee and published alongside the Statement of Accounts
- Acknowledgement of our responsibility/purpose




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### Annual Governance Statement

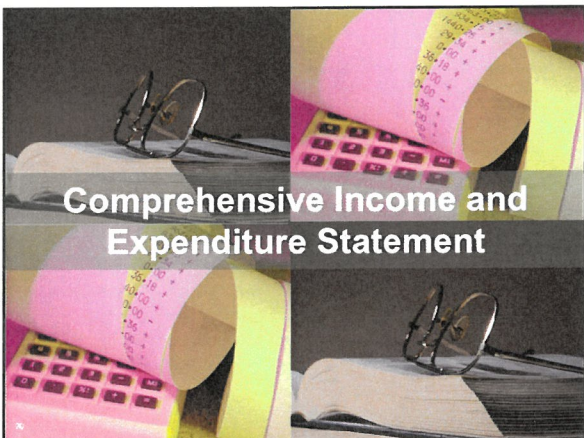
- Compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE
- How we meet the core principles
- Our approach to Risk Management
- A review of effectiveness
- Value for Money Conclusion
- Significant governance issues
- How we review and report



<sup>19</sup> Together we make a difference...




### Movement in Reserves Statement



### Comprehensive Income and Expenditure Statement

### Movement in Reserves Statement (MIRS)


- Shows the movement in the year on different reserves split between usable and unusable
- Reconciles the surplus or deficit on the Provision of Services from the CIES to the statutory amounts required to be charged for tax setting purposes.
- 'Notional' Surplus/Deficit adjusted for difference between accounting and funding regulations and transfers to or from Earmarked reserves = 'True' Surplus/Deficit for the year (book entries stripped out)



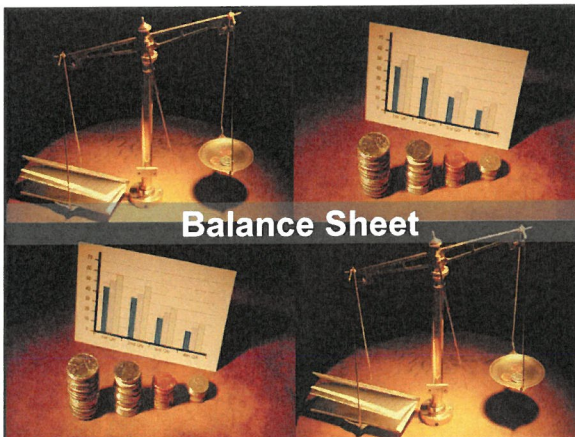
<sup>23</sup> Together we make a difference...

### Comprehensive Income and Expenditure Statement (I&E)

- Shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation
- It has two distinct sections showing all gains and losses/the movement in net worth...
  - Surplus/Deficit on the Provision of Services (resulting from expenditure incurred or income generated)
  - Other Comprehensive Income & Expenditure (resulting from changes in valuation of assets and gains/losses on pension assets and liabilities)




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### Balance Sheet

### Balance Sheet


- Snapshot at the end of the year (31 March)
- Shows assets and liabilities of the Council (what it owns and what it owes)
- Both long term (e.g. long term borrowing) and current (e.g. cash)
- The net assets (assets less liabilities) are matched by the reserves (net worth) including:
  - Usable reserves e.g. Balances and earmarked reserves
  - Unusable reserves e.g. Unrealised gains and losses such as the Revaluation Reserve and Adjustment Accounts that absorb the difference between applying proper accounting practices and statutory arrangements for funding expenditure



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### Cash Flow Statement



- Summarises the flows of cash that have taken place into and out of the authority's bank accounts over the year. It separates the flows into:
  - Operating activities (includes interest received and paid)
  - Investing activities (includes the purchase/disposal of assets and investment income)
  - Financing activities (includes the receipts and repayments of borrowing and difference between cash collected and paid re NDR and Council Tax)
- We use the indirect method – starting with the surplus/deficit on the provision of services, adjusting for non cash items, accruals and extracting investing or financing activities



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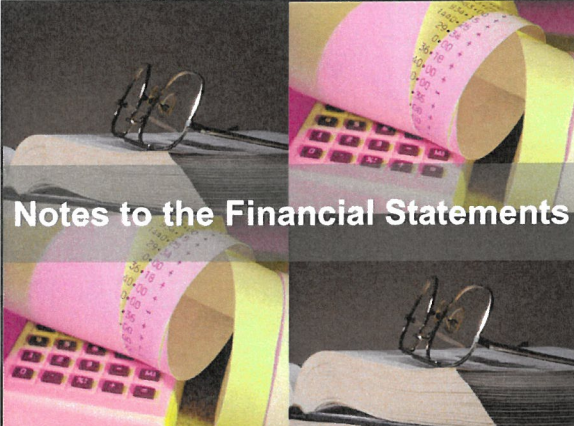
### Balance Sheet

- The code specifies the minimum requirements for lines to be included on the face of the balance sheet
- There are also a number of disclosure requirements relating to the balance sheet including a note showing the movement in reserves and a requirement to disclose the nature and purpose of each reserve

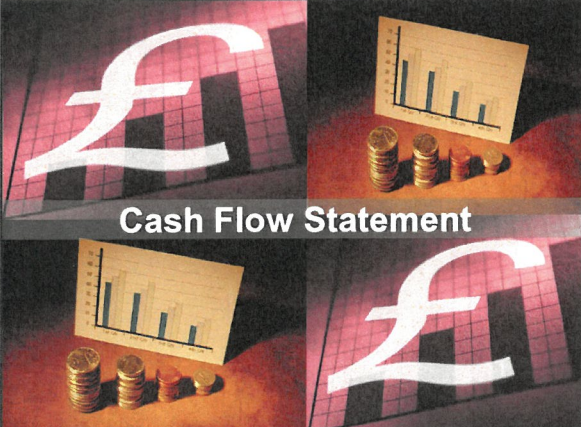
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### Notes to the Financial Statements



28 Together we make a difference...

### Cash Flow Statement





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### Notes to the Financial Statements

Important in presenting a true and fair view with three significant aspects:

- To present information about the basis of preparation e.g. accounting policies used
- To disclose information not presented elsewhere such as breaking down lines within financial statements e.g. Property, Plant and Equipment (PPE)
- To provide information not presented elsewhere such as qualitative material including 'transactions with related parties'

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### Statement of Accounting Policies

Expenditure and Funding Analysis – shows how annual expenditure is used and funded from Resources (Government Grants, rents, council tax and business rates) in comparison with those consumed or earned in accordance with Generally Accepted Accounting Practices (see CIES)

Accounting Policies i.e. "the specific principles, bases, conventions, rules and practices applied..."

- Accruals of Income and Expenditure – activity is accounted for in the year it takes place not based on when cash is received or paid
- Cash and Cash Equivalents – includes investments maturing no more than 3 months from date of acquisition
- Prior Period Adjustments, Changes and Errors – some applied prospectively and others retrospectively

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### Statement of Accounting Policies

- Intangible Assets – amortised over economic life e.g. IT systems
- Interest in companies and other entities – such as joint ventures that would require the preparation of group accounts
- Inventories – accounted for at the lower of cost and net realisable value
- Investment Property – Not depreciated but revalued annually (Highest and Best Use) with rental income showing as Financing and Investment Income

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### Statement of Accounting Policies

- Charges to Revenue for Non-Current Assets – e.g. depreciation, revaluation, impairment and amortisation.
- Employee Benefits – such as accrued holiday entitlements, termination benefits and post-employment benefits including accounting arrangements for the LGPS
- Events after the Reporting Period – but prior to 30 June (31 July in 2021 owing to COVID-19) requiring adjustment or disclosure

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### Statement of Accounting Policies

- Leases – No finance or operating leases exist
- Overheads and Support Services – cost charged to those that benefit in proportion to the benefit received
- Property, Plant & Equipment – Measurement/basis of valuation e.g. infrastructure and community assets at depreciated historical cost and with most of the other assets at current value (existing use value – EUV) or depreciated replacement cost. Surplus assets are held at fair value.

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### Statement of Accounting Policies

- Financial Liabilities – short term loans are valued in the balance sheet using outstanding principal plus accrued interest
- Financial Assets – Investments/loans made by the council valued in the balance sheet using outstanding principal plus accrued interest
- Government Grants and Contributions – accounted for on an accruals basis when conditions have been satisfied otherwise shown as creditors
- Heritage Assets – valued as for insurance purposes and not subject to depreciation

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### Statement of Accounting Policies


- Impairment – assets are reviewed for evidence of impairment loss at each year end
- Depreciation – all assets, other than investment properties, land, heritage and certain community assets, with a determinable finite life, depreciated over up to 80 years.
- Disposals – income shown in I&E statement along with gain or loss on disposal.

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### Statement of Accounting Policies


- Provisions – an obligation that requires settlement where a reliable estimate of the amount can be made.
- Contingent Liabilities – possible obligation although existence and amount cannot be confirmed.
- Contingent Assets – possible asset although not yet confirmed.
- Reserves – set aside for future policy purposes or to cover contingencies...



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### Notes to the Financial Statements

- Accounting Standards published prior to 01.01.21 but not adopted – must disclose the impact of an accounting change that will be required.
- Critical judgements in applying accounting policies – e.g. a decision has been made which influences the accounting treatment
- Assumptions about the future – e.g. estimation of the net liability to pay pensions and the impact of a 0.1% increase in the discount rate assumption applied
- Events after the Reporting Period – events after date authorised for issue (e.g. 31.07.21 re 2020/21) are not reflected




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### Earmarked Reserves

Wyre Council - Revised Estimate 2020/21


	Balance 31.03.21 £'000
<b>Earmarked Reserves</b>	
Building Control	10
Capital Investment	458
Elections	41
Homelessness	304
Insurance	136
IT	800
Land Charges	18
Leisure Management	213
New Homes Bonus	1,137
Non-Domestic Rates Equalisation	8,021
Performance Reward Initiatives	22
Property Investment Fund	2,640
Value For Money	606
Vehicle Replacement/Sitting	521
Enterprise Zone Growth - Ring-fenced	699
<b>TOTAL</b>	<b>18,216</b>



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### Notes to the Financial Statements


- Adjustments between accounting basis and funding basis under regulations – proper accounting practice v statutory provisions
- Transfers to or from earmarked reserves
- Other operating expenditure – includes parish precepts, pension administration costs and gains/losses on disposal of non-current assets (excl. investment assets)



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### Statement of Accounting Policies


- Revenue expenditure funded from capital under statute (REFCUS) – capital expenditure where no asset is created e.g. improvement grants, reflected in the Income & Expenditure Statement with associated grant.
- VAT – VAT paid is recoverable, VAT charged is paid over to HMRC.



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### Notes to the Financial Statements

- Financing and Investment income/expenditure – interest payable/receivable, gains/losses on disposal /revaluation of investment properties and pensions net interest expense
- Taxation and non-specific grant income/expenditure – Adjusted Council Tax income (incl. parish precept), NDR income/expenditure, RSG, Transitional Funding, NHB, S31 grant and capital grants and contributions



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### Notes to the Financial Statements

- Property, Plant and Equipment –
  - additions, disposals, impairment, reclassification, revaluations and depreciation
  - Depreciation – useful lives
  - Capital commitments e.g. contracts entered into
  - Revaluations – all PPE measured at current value is revalued every 5 years

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### Notes to the Financial Statements

- Assets Held For Sale – newly classified
- Short Term Creditors – People who we owe money to
- Provisions – Business Rate Appeals are determined by the VO and often backdated
- Usable Reserves – includes General Fund Balances, Earmarked Reserves, Capital Receipts and Capital Grants Unapplied.

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### Notes to the Financial Statements

- Heritage Assets
  - additions, disposals, revaluations and impairment losses
  - Eros Statue and Civic Regalia (@ valuation used for insurance purposes)
- Investment Property
  - rental income no longer shown in Cost of Services
  - Additions, disposals and gains/losses on revaluation
  - Fair value hierarchy and valuation techniques
- Intangible Assets
  - e.g. software which is amortised over 5 years – identifies additions and amortisation

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### Notes to the Financial Statements

- Unusable Reserves – includes explanations of and movements on Revaluation Reserve, Capital Adjustment A/c, Pensions Reserve, Collection Fund Adjustment A/c and Accumulated Absences A/c
- Cash Flow Statement Operating Activities – includes interest received/paid and adjustments to surplus/deficit for non cash movements and investing/financing activities

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<sup>47</sup> Together we make a difference...

### Notes to the Financial Statements

- Financial Instruments
  - shows investments, debtors, borrowings and creditors
  - interest payable/receivable
  - fair value disclosures
- Inventories – stocks reflected at lower of cost and net realisable value
- Short Term Debtors – People who owe us money
- Cash and Cash Equivalents – Cash, bank account, overdraft and short term deposits

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### Notes to the Financial Statements

- Cash Flow Statement Investing Activities – includes additions to asset register, purchase of short term investments, disposal of assets and capital grants/contributions received
- Cash Flow Statement Financing Activities – includes repayments of short and long term borrowing and movement in debtors for Council tax and NDR

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### Notes to the Financial Statements

- Trading Operations – reflects considerations of stewardship where we are taking commercial risks and provides an assurance that the authority is not exposing itself unreasonably to loss.
- Agency Services – income and expenditure associated with the Lancashire Highway Street Services Agreement is excluded from the CI&E Statement.
- Members' Allowances – must disclose total allowances/expenses paid in the year

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### Notes to the Financial Statements

- Impairment Losses – impairment by class of asset charged to surplus or deficit on provision of services
- Termination Benefits – number and value of compulsory redundancies or other departures agreed
- Pension Schemes (defined benefit) – benefits not paid until employees retire but accounts must recognise them as they are earned
- Contingent Liabilities – possible obligation although existence and amount cannot be confirmed e.g. legal claims and NNDR appeals

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### Notes to the Financial Statements

- Officers' Remuneration - for those earning > £50,000 and senior employees (reflecting number of employees and amounts paid)
- External Audit Costs – for auditing the accounts, grant claims and other services.
- Grant Income – non-ringfenced revenue monies (e.g. RSG, New Homes Bonus & S31 grant) and capital grants and contributions (some of which are shown as received in advance)

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### Notes to the Financial Statements

- Nature and Extent of Risks arising from Financial Instruments –
  - Credit Risk – other parties might fail to pay amounts due to the Authority
  - Liquidity Risk – access to money market and PWLB means that cash is available as needed.
  - Market Risk – our exposure to movements in the interest rate
- Note on the Lancashire 50% Business Rates Retention Pilot Pool explaining its background and how the Pool works.

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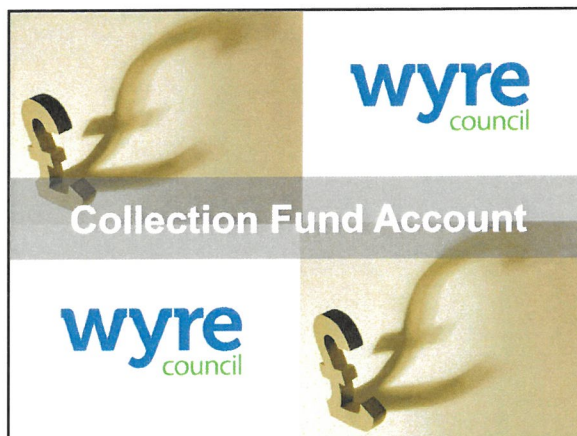
<sup>51</sup> Together we make a difference...

### Notes to the Financial Statements

- Related Parties – bodies or individuals who are able to control/influence or be controlled/influenced
- Capital Expenditure and Capital Financing – types of expenditure e.g. PPE, investment, intangible assets and REFCUS and how it is financed
- Leases – The council does not have any finance or operating leases

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### Collection Fund Account

An agent's statement which we, as a 'billing authority', are required to maintain reflecting the following transactions:

- Council tax
- Non-domestic rates
- Distribution of central share to Central Government and to precepting bodies e.g. LCC, P&CCL, LCFA and WBC (incl. distribution of collection fund prior year balance)



### Statement of Accounts 2019/20 – Where can I find...?

	Where?
8. How much were Members paid in allowances?	P84 NOTE 31 £313,733
9. The Chief Executive's salary	P85 NOTE 32 £106,131
10. Our spending on Disabled Facilities Grants and Social Capital Projects	P88 NOTE 36 REFCJUS £1,908,126
11. No. of staff made compulsory redundant	P89 NOTE 38 = 1
12. Pension contributions paid by the council for its employees	P91 £1,869,000
13. How much additional income did we retain by being in the Business Rates Pool?	P98 £574,853
14. Council tax income for the year	P101 £88,937,476
15. And how much was due to Wyre?	P101 £8,057,509 less P88 NOTE 10 Parish Precept £695,546 = £7,361,963

### Notes to the Collection Fund

- Council Tax Base Calculation – including number of dwellings per band and relevant amount taking into account discounts
- Income from Business Rate Payers – rateable valued at year end and multiplier
- Distribution of Collection Fund prior year balance
- Closing Surplus/Deficit on the Collection Fund at year end



### 2020/21 Updates

No major changes in 2020/21 owing to COVID-19 – changes delayed until 2021/22

Any questions...



### Statement of Accounts 2019/20 – Where can I find...?

[https://www.wyre.gov.uk/downloads/file/6424/wyre\\_2019-20\\_audited\\_statement\\_of\\_accounts](https://www.wyre.gov.uk/downloads/file/6424/wyre_2019-20_audited_statement_of_accounts)

	Where?
1. Non-Financial Performance Indicators	P16 – Life in Wyre Survey and Business Plan Performance key results
2. Heritage assets owned by the Council (i.e. with historic, artistic, scientific, technological, geophysical or environmental qualities held for their contribution to knowledge of culture) and how much are they worth	P53 Statues and Civic Regalia P72 NOTE 14 £330,950
3. The value over which an asset disposal is treated as a capital receipt	P55 £10,000
4. Rental income from investment properties e.g. golf clubs, the top ground, houses, cafes, etc.	P73 NOTE 15 £501,324
5. The value of our reserves and balances	P78 NOTE 24 General Fund (Balances) £13,926,033 Earmarked Reserves £12,897,115
6. The value of Employee Leave not yet taken to which staff are entitled	P78/81 NOTE 25 £118,996
7. Has Fleetwood Market made a profit or a loss?	P83 NOTE 29 £96,134 (surplus when capital charges are excluded)

# understanding local authority financial statements

2016

# \ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

# comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

## **The introduction of the new expenditure and funding analysis**

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

## Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
<b>Net Cost of Services</b>	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

# comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

## Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.



# movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

## Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* Capital Fund Scotland

\*\* Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

# balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

## Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	Notes	31 March 20X1	
			£000
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	
Long-term debtors	17	3,798	Long term assets ie those expected to provide benefits to the authority beyond 12 months
<b>Long-term assets</b>		<b>1,670,478</b>	
Short-term investments	17	24,060	
Assets held for sale	22	1,409	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Inventories	18	1,769	
Short-term debtors	20	15,351	
<b>Current assets</b>		<b>42,589</b>	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	
Short-term creditors	23	(21,960)	Current liabilities ie those liabilities anticipated to be settled within 12 months
<b>Current liabilities</b>		<b>(45,227)</b>	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	Total assets less total liabilities

# \ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).

If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

# cash flows

The final statement required by the Code is the cash flow statement.<sup>1</sup> The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

## Cash Flow Statement (extract)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	Three groups of transactions: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
Net cash flows from Operating Activities (Note 26)	(10,156)	
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> Note the format of the cash flow statement shown is produced under the indirect method.

# a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
<b>Comprehensive Income and Expenditure Statement</b>	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
<b>Movement in Reserves Statement</b>	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

## Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
<b>Balance Sheet</b>	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy?  (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
<b>Cash Flow Statement</b>	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?



# reminders and questions raised on the IFRS-based code

## **IFRS – what is it?**

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

## **The pension deficit is meaningless – why do we have to show it?**

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

## **The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances**

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

## **The accounts are too long!**

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

## **What changes were made to the 2016/17 Code?**

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

# further reading

*Financial Statements: A Good Practice Guide for Local Authorities* (CIPFA, 2013)

*Clear out the Clutter* (Public Finance, April 2014)

*Simplified Accounts: Small Isn't Always Beautiful* (Public Finance, September 2015)

*Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA, issued annually)

*Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners*  
(CIPFA, issued annually)



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

[www.cipfa.org](http://www.cipfa.org)

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