



## **Audit Committee Agenda**

Wyre Borough Council  
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**Audit Committee meeting on Tuesday, 1 March 2022 at 6.00 pm  
in the Council Chamber - Civic Centre, Poulton-le-Fylde**

1. **Apologies for absence**
2. **Declarations of interest**  
  
To receive any declarations of interest from any members of the Committee on any item on this agenda.
3. **Confirmation of minutes** (Pages 3 - 8)  
  
To confirm as a correct record the minutes of the last meeting of the Audit Committee held on 16 November 2021.
4. **Annual Review of Audit Committee's Terms of Reference** (Pages 9 - 14)  
  
Report of the Corporate Director Resources (Section 151 Officer).  
Presented by the Audit and Risk Manager.
5. **Internal Audit Strategy and Audit Plan Priorities 2022/23** (Pages 15 - 22)  
  
Report of the Corporate Director Resources (Section 151 Officer).  
Presented by the Audit and Risk Manager.
6. **Annual Review of the Internal Audit Charter** (Pages 23 - 40)  
  
Report of the Corporate Director Resources (Section 151 Officer).  
Presented by the Audit and Risk Manager.
7. **Status of 2020/21 Statement of Accounts Audit**  
  
Presentation by Deloitte.
8. **Periodic Private Discussion with the Chief Internal Auditor**

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

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

6pm on Tuesday 14 June 2022.



## Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 16 November 2021 at the Council Chamber - Civic Centre, Poulton-le-Fylde.

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### **Audit Committee members present:**

Councillors McKay, Ingham, Cartridge, E Ellison, Longton, Minto, Moon, Stirzaker, L Walmsley, Fairbanks and George

### **Apologies for absence:**

Councillors A Turner, R Amos and Webster

### **Other councillors present:**

None.

### **Officers present:**

Daphne Courtenage, Assistant Democratic Services Officer  
Marianne Unwin, Democratic Services Officer  
Joanne Billington, Head of Governance and Business Support,  
Karen McLellan, Audit and Risk Manager (and Chief Internal Auditor)  
Dawn Allen, Audit, Risk and Performance Lead  
Clare James, Corporate Director Resources (Section 151 Officer)  
Maria Blundy, Head of Built Environment  
Paul Hewitson, External Auditor Deloitte  
Stuart Kenny, External Auditor Deloitte

No members of the public or press attended the meeting.

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### **28        Declarations of interest**

None.

### **29        Confirmation of minutes**

**Agreed** that the minutes of the Audit Committee meeting held on 28 September 2021 be confirmed as a correct record.

### **30        Compliance with the Regulation of Investigatory Powers Act 2000 (RIPA)**

The Legal Services Manager submitted a report that reviewed the authority's use of RIPA (Regulation of Investigatory Powers Act 2000) since it was the

last considered at the Audit Committee November 2020.

The Head of Governance and Business Support introduced the report. She explained to members that the last inspection had occurred in 2019, and since then only minor amendments on the social media policy had been made. The next inspection was due in 2022 with notice expected to be given on whether this would be a face-to-face inspection.

The Head of Governance and Business Support informed members that there had been no authorisations to undertake surveillance under RIPA since 2012. Following the senior management restructure in December 2019, the Corporate Director Resources now requires RIPA training. The Head of Legal Services would arrange training in early 2022 prior to the inspection. Refresher training would be provided for all other authorising officers.

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

### **31 Internal Audit and Risk Management - Progress Report**

The Corporate Director Resources (Section 151 Officer) submitted a report which reviewed the progress in relation to the 2021/22 Audit Plan, Risk Management and considered the progress against the action plan resulting from the 2020/21 Annual Governance Statement.

The Audit and Risk Manager introduced the report, stating that this was the six monthly update, and was her first update to the committee in her new role as Chief Internal Auditor.

She updated members that following a restructure, they had been able to take on an extra member of staff, the Audit, Risk and Performance Lead. The additional resource means that all audit work would now be completed in-house. She notified the committee of the revised audit opinions and that all new audit work would now be completed using this new opinion format.

She also pointed members to pages 16-24 which indicated all ongoing and completed work, and focused on the follow up review from building maintenance, which had been given the opinion of 'fair'. She invited Maria Blundy, the Head of Built Environment, to speak about this.

Ms Blundy explained to members that all reports on asbestos from LCC had been received and were being distributed to all sites to familiarise staff on the management and monitoring of any asbestos that may be present. In regards to the legionella risk assessments, Ms Blundy updated members that they had now received 32 risk assessment reports instead of 7 as stated in the report pack, and were awaiting another 28 reports. She also explained to members that they had yet to appoint a Compliance Surveyor, and instead were looking at adjusting current roles to include the statutory requirements. She assured members that all works had been carried out, and were merely waiting on paperwork that had been delayed by the pandemic. She explained to members that this wait was due to issues at LCC, and that due to a lack of resources they had to outsource to external experts in this field.

Members asked questions in relation to:

- in-house checks
- relationships with LCC
- checks on other public spaces maintained by the Council
- the 'fair' rating and whether it should be downgraded to 'weak' to reflect the seeming lack of progress

The committee indicated that they wanted to see an improvement and avoid a further 'fair' or 'weak' outcome following the review in January and requested an update at the next meeting in March 2022. The Audit and Risk Manager continued with the remainder of the 6 monthly update and gave the committee a summary of the other work completed to date by the team in respect of audit, risk management and the annual governance statement.

The Corporate Director Resources responded to a question on YMCA subsidies and provided members with an update on the financial situation. She hoped that the next year would improve as expected and that the YMCA would not exceed agreed subsidy levels, but that the Leisure Management Reserve could be utilised if there were concerns. She explained to members that the situation was different for the theatres, which did not have a specific earmarked reserve and it would be wrong to draw conclusions based on the last two years' subsidy for those venues owing to the pandemic. Going forward they would need to monitor the position and re-evaluate the council's tolerance to subsidising these facilities when the financial settlement position was clearer.

The report was **noted** by members.

## **32 Annual Review of Financial Regulations and Financial Procedure Rules**

The Corporate Director Resources submitted a report which reviewed the Financial Regulations and Financial Procedure Rules, to show evidence that the council had arrangements in place to maintain a sound system of internal control.

The Head of Governance and Business Support introduced the report. She explained that with the exception of the changes to the procurement procedures following the UK's departure from the EU, only minor changes had been made following this review; e.g. grammatical or restructuring changes.

Following discussion, members **approved** the annual review of the Financial Regulations and Financial Procedure Rules.

## **33 Annual Review of the Council's Counter Fraud Policies**

The Corporate Director Resources submitted a report on the annual review of the Council's Counter Fraud Policies, namely: anti-fraud, corruption and bribery; anti-money laundering; whistleblowing; and gifts and hospitality and registering interests.

The Head of Governance and Business Support introduced the report. She explained to members that there were no major changes to the policies.

Following discussion, members **approved** the annual review of the Counter Fraud policies.

#### **34 Approval of the Council's Data Protection Policy and Procedures**

The Corporate Director Resources submitted a report which reviewed the Council's Data Protection Policy and Procedures which included the council's incident/breach reporting and investigation instruction.

The Head of Governance and Business Support introduced the report. She explained that the annual review of the policy is an opportunity to identify any gaps and update following any changes in legislation. She informed members that as the council's DPO she still continued to report to CMT on a quarterly basis. She referred to the infrequency of the meetings of the Information Governance Group but assured the committee meetings would commence again in December, following which an action plan would be formulated and shared with both CMT and the committee. She reported that all the data incidents in paragraph 4.2 had been investigated internally. She also explained that 'Learning Pool', an online training portal for staff had now been launched and included modules for data protection and information security. It was hoped that these would be rolled out as mandatory courses for all staff in the New Year.

Members asked questions on:

- The link between data breaches and hybrid workers
- Data storage
- Updated training for elected members

Following discussion, the members **approved** the amended Data Protection Policy and Procedures report.

#### **35 Annual Review of the Audit's Committee's Performance**

The Corporate Director Resources submitted a report on the annual review of the Audit Committee's performance, considering CIPFA's Self-Assessment of Good Practice contained within the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police 2018' and to identify actions necessary to ensure that the Audit Committee met best practice guidance.

The Audit and Risk Manager introduced the report. She indicated to members the checklist included in the report had been completed by herself and reviewed by the Corporate Director Resources. No gaps had been identified, however she opened the floor to members asking them to contribute to its completion with the objective being to identify any gaps in knowledge or training.

Members asked questions on:

- The selection of independent members
- How the checklist is measured and who holds the committee to account
- Gaps in data protection knowledge and a request for further training for members
- The size of the committee

The Chairman commended the committee on their performance given the volume and the variety of reports that they are asked to deal with.

The report was **noted** by the committee with some suggestions for future improvement.

### **36 National Fraud Initiative - Data Matching Exercise Year 2020/21**

The Audit, Risk and Performance Lead introduced herself to the committee and presented the report on the 2020/21 National Fraud Initiative (NFI) Data Matching Exercise, identifying how the council had contributed in the detection and prevention of fraud. She explained to members that the last time this report had been presented to the committee was in 2017.

She explained that there was usually a two yearly exercise, however due to the pandemic and limited resources, the 2018/19 report had not been produced. Therefore in the report there were three data sets: the annual council tax SPD exercise; the two yearly national exercise; and a Government Covid-19 Business grants exercise which was new for 2020 / 21. Work was still ongoing to review matches from these exercises. Given the SPD exercise provided the greatest opportunity to identify and recover errors and overpayments, it had been agreed that additional resources would be provided to look into the results of the forthcoming exercise (2021 / 22).

Members asked questions on:

- The errors found and money recovered
- The procedure for supplying information to the NFI
- Support for those accidentally identified
- A specific business grant payment which had been duplicated

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

### **37 Annual Review of the Council's Risk Management Policy**

The Corporate Director Resources submitted a report on the annual review of the Council's Risk Management Policy.

The Audit and Risk Manager introduced the report. She explained that since the last review of this policy in June 2020, the council had purchased Risk Management Software System (GRACE) which would be used to record the council's strategic, operational and ICT risks, replacing the spreadsheets previously used. The policy had therefore been refreshed to reflect the use of this system, which included a new scoring matrix found at Appendix B of the

policy. She advised the committee that work would continue over the next 12 months to populate the GRACE system with all the risks identified and train all risk owners on the use of the system, enabling them to monitor and update their risks and action plans.

The Audit and Risk Team would continue to oversee the admin of the system and copies of the registers would be published on the HUB.

Following discussion, the committee **approved** the refreshed Risk Management Policy.

### **38 Any Other Business**

The Corporate Director Resources updated members on items that had come to the previous meeting in September. The Post-Audit accounts had not been signed off as expected owing to resourcing issues with the External Auditors. She explained to members that this was not an isolated issue, and that only 9% of all councils nationally had had their accounts signed off by the end of September. With the delay from the External Auditors, a more realistic sign off would be in January.

Paul Hewitson, the external auditor from Deloitte, explained to members that there had been a lack of progress since the September meeting of the committee. They had been unable to mobilise resources to finish the audit, but were currently mobilising all available and trained resources on a high priority basis. He emphasised to members that he had no major concerns, more that the work just needed to be finished. He would be sharing a schedule of the work with the Corporate Director Resources in the New Year, and could not offer anything more but an apology to the committee.

In response to members, Mr Hewitson explained that no work would have to be redone based on current reviews; that there would be no financial penalties for the delay and since this was a national problem that there was unlikely to be any reputational repercussions to this.

### **39 Date of next meeting**

The next meeting of the Audit Committee would be Tuesday 01 March 2022 at 6pm in the Council Chamber.

The meeting started at 6.04 pm and finished at 7.56 pm.

**Date of Publication:** 23 November 2021





Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	1 March 2022	

**ANNUAL REVIEW OF AUDIT COMMITTEE'S TERMS OF REFERENCE**

**1. Purpose of report**

- 1.1 The periodic consideration of the terms of reference of the Audit Committee in accordance with best practice guidance.

**2. Outcomes**

- 2.1 The annual review of the Audit Committee terms of reference.

**3. Recommendations**

- 3.1 That the Audit Committee considers the previously agreed terms of reference attached at Appendix 1 and agree that they accurately reflect the role of the committee.
- 3.2 That the terms of reference be recommended to Full Council for approval.

**4. Background**

- 4.1 Audit Committees are a key component of corporate governance. Their overall purpose being to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.
- 4.2 CIPFA's practical guidance for Audit Committees (Audit Committees Practical Guidance for Local Authorities and Police) provides local authorities with a suggested terms of reference setting out the purpose and the core functions required. The terms of reference state that 'The purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes'. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place. The guidance also states that a review of the Audit Committees' terms of reference be completed annually.

## 5. Key Issues and proposals

**5.1** Since its last review in March 2021, other than a minor change to the Data Protection Officer's title, responsibility for Cyber Security has been added to the other core functions of the Audit Committee.

**5.2** The terms of reference is included for consideration at Appendix 1.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Any changes to the terms of reference would be subject to confirmation by Full Council.

### Other risks / implications: checklist

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

risks/implications	✓ / x	risks/implications	✓ / x
community safety	x	asset management	x
equality and diversity	x	climate change	x
sustainability	x	ICT	x
health and safety	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
Karen McLellan	01253 887586	<a href="mailto:Karen.mclellan@wyre.gov.uk">Karen.mclellan@wyre.gov.uk</a>	02.02.2022

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

## **List of appendices**

Appendix 1 – Audit Committee Terms of Reference

## **Audit Committee - Terms of Reference**

### **7.01 Purpose**

The audit committee is a key component of Wyre Council's corporate governance. It provides an independent high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of an Audit Committee is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of the authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### **7.02 Core Functions**

The Council will appoint an Audit Committee independent from both the Executive and the Overview and Scrutiny function and it will have the following core functions:

#### **Governance, Risk and Control**

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- To review the annual governance statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account the Head of Internal Audit's annual audit opinion.
- To consider the reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider the council's arrangements to secure value for money and review assurances and assessment on the effectiveness of these arrangements.
- To monitor the effective development and operation of risk management in the council and monitor progress in addressing risk-related issues reported to the committee.
- To monitor counter-fraud, actions and resources and review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

#### **Internal Audit**

- To approve the internal audit charter.
- To review proposals made in relation the appointment of external providers of internal audit services and to make recommendations on their effectiveness.
- To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

- To approve and periodically review safeguards to limit impairments to the independence or objectivity of the internal audit team.
- To approve significant changes to the audit plan and resource requirements.
- To consider reports from the Head of Internal Audit on the performance during the year. This will include an update on the implementation of agreed recommendations.
- To consider the Head of Internal Audit's annual report.
- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement and also any external assessments of effectiveness; i.e. the quality assessment of internal audit that takes place at least once every five years in accordance with the Public Sector Internal Audit Standards.
- To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee.

### **External Audit**

- To receive and comment upon the External Auditor's Annual Plan, considering the scope and depth of external audit work and to ensure it gives value for money.
- To monitor the External Auditor's progress with the Annual Plan.
- To consider the External Auditors' annual letter and the report to those charged with governance.
- To consider specific reports as agreed with the External Auditor.
- To advise and recommend on the effectiveness of relationships between internal and external audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the Audit Committee Chair for the External Auditors, including the opportunity for a private meeting with the committee.
- To consider periodically (at least annually) whether the Auditors appointed to carry out the External Audit function remain independent and objective and, that their judgement in carrying out that role has not been impaired as a consequence of their participation in any non-audit reviews, services or advice provided to the council.

### **Financial Reporting**

- To review the annual Statement of Accounts on behalf of Full Council in accordance with the Accounts and Audit Regulations 2015.
- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To consider and endorse amendments to the Council's Financial Regulations and Contract Procedure Rules and, on behalf of Full Council, give any instructions to the Section 151 Officer as may be appropriate.

### **Accountability Arrangements**

- To prepare an annual report to Full Council setting out the committee's work and performance during the year in relation to the terms of reference and to refer to Council any matters it shall see fit.
- To review any issue referred to it by the Chief Executive, Monitoring Officer or any Council body.

### **Other core functions**

- To undertake the annual review of the council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), ensuring compliance with the Code of Practice.
- To receive updates and reports from the Head of Governance and Business Support (Data Protection Officer) and to approve policies in relation to Cyber Security and compliance with the Data Protection Act and Regulations made under the Act.

Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	1 March 2022	

## INTERNAL AUDIT STRATEGY AND AUDIT PLAN PRIORITIES 2022/23

### 1. Purpose of report

- 1.1 To review the Internal Audit Strategy and Audit Plan Priorities for the 2022/23 financial year.

### 2. Outcomes

- 2.1 An approved Internal Audit Strategy that sets out how the Internal Audit Team will implement the Audit Plan Priorities which is designed to take account of the characteristics and relative risks of the council's activities.

### 3. Recommendation

- 3.1 Members are asked to approve the Internal Audit Strategy and Audit Priorities attached at Appendix 1 and 2.

### 4. Background

- 4.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 4.2 Professional standards for Internal Audit in local government specify that "The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals." The standards also specify that "The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must be incorporated or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities."
- 4.3 In accordance with the standards an Internal Audit Strategy has been developed and approved by the Audit Committee and is incorporated into the risk-based 2022/23 Audit Plan Priorities. Both documents are attached.

- 4.4** To enable Internal Audit to be flexible and responsive to emerging risks across the organisation, quarterly audit planning instead of the production of an annual plan at the beginning of the year will continue during 2022/23. The plan attached at Appendix 2 is split into two main sections, the first section details audit work that will need to take priority in quarter one (April - June 2022). The second section documents potential forthcoming priorities for quarter's two to four. However, at the time of publication, Internal Audit were still in the process of completing the annual risk workshops, collating the service assurance mapping statements and working with the Head of Finance to document Key Financial System control matrices for the council's key financial systems. The plan will be reviewed on a quarterly basis and audits will be added and removed according to risk.
- 4.5** The plan for 2022/23 will be completed solely in house with no external support. However, the ICT support framework managed by Lancashire County Council is still available should additional expertise be required in this area.
- 4.6** The overall planning for 2022/23 is based on an estimated available resource of 440 days, this being delivered by the two in-house auditors. Assurances sought from the service assurance mapping statements and the strategic / operational risk registers will allow confidence to be obtained that audit coverage is still sufficient to be able to deliver an overall opinion at the year end.

## 5. Key Issues and proposals

- 5.1** The Internal Audit Strategy and Audit Plan Priorities for 2022/23 is attached at Appendices 1 and 2.

Financial and legal implications	
Finance	The Audit Plan Priorities for 2022/23 are expected to be delivered within the timescales and previously agreed staffing budget.
Legal	This will ensure good governance and probity.

### Other risks / implications: checklist

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

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

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



### **Processing Personal Data**

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

report author	telephone no.	email	date
Karen McLellan	01253 8873	Karen.mclellan@wyre.gov.uk	16/02/2022

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

### **List of appendices**

Appendix 1 - Internal Audit Strategy

Appendix 2 - Audit Plan Priorities 2022/23

## Internal Audit Strategy

### 1.0 Internal Audit Strategy

- 1.1. This strategy is the high level statement of how the internal audit service will be developed and delivered in accordance with its approved terms of reference (the Audit Charter) and how it links to the council's organisational objectives and priorities.

### 2.0 Service Purpose

- 2.1 The key purposes of the internal audit service are to:

- provide the council with independent assurance regarding the effectiveness of its systems of risk, governance and internal control;
- support the council in delivering organisational change and its development programme; and
- help the council secure and demonstrate value for money throughout its activities.

### 3.0 Strategic Aims and Objectives

- 3.1 Internal audit's strategic aims and objectives are defined as:

- promoting and helping develop standards of risk management throughout the council's operations;
- contributing to improving standards of internal control and governance within the authority and its key partnerships;
- developing the corporate 'assurance framework' and coordinating the capture and reporting of sources of assurance;
- developing and supporting managers in the management of risk;
- working closely with the council's corporate compliance team to develop programmes of work to combat and reduce the risk of fraud;
- supporting the council in identifying efficiencies and achieving value for money in service delivery; and
- continuing to develop the scope, robustness and effectiveness of internal audit's assurance work.

### 4.0 Identifying and Accommodating Significant Local and National Issues and Risks

- 4.1 Emerging local and national issues that might warrant internal audit attention will primarily be identified through:

- contributing to the development, updating and monitoring of the assurance framework;
- reviewing the business plan and individual service plans;
- carrying out strategic and operational risk workshops; and
- regular consultation and liaison with Corporate Management Team, other statutory officers, Heads of Service and the Council's External Auditors.

- 4.2 This approach will seek to ensure that significant risks are adequately identified, assessed and evaluated in terms of the level of assurance necessary and already available, and will involve:
- tracking corporate policy / priority developments and the decisions taken by the authority's decision-making bodies;
  - regular consultation with the Corporate Management Team, Monitoring Officer, Heads of Service and the Audit Committee Chairman;
  - regular liaison with other review bodies, especially the Council's External Auditor;
  - liaison with/considering the approach and work programmes of other internal review bodies, for example the Overview and Scrutiny function;
  - liaison with other local government auditors and active participation in local/regional professional groups;
  - consideration of key corporate risks; and
  - maintaining a professional focus and taking advantage of opportunities for professional updates/development, including continuous professional development for key staff, where appropriate.
- 4.3 The risk-based audit plan seeks to provide assurance in areas of significant risk where alternative sources of assurance are not readily available. Typically this will tend to focus on the auditing of "underlying risks", being those risks which are not being addressed by a current corporate or service-based project or initiative. The plan will be reviewed and updated on a quarterly basis to accommodate any emerging significant risks and assurance needs identified through an ongoing review of the assurance framework.
- 4.4 Internal audit activity may involve any one, or a combination of the following:
- a specific piece of internal audit assurance work;
  - efficiency / VFM or support work directed at improving the efficiency of existing procedures and/or standards of governance and control;
  - contributing to corporate groups / projects / reviews (officer and/or Member based) established for a given purpose / objective.

This plan will be reviewed on a quarterly basis following examination of the service assurance mapping declarations, risk registers and any referrals received.				
<b>AUDIT PLAN PRIORITIES - 2022/23</b>	<b>Detailed Rationale</b>	<b>Date Added</b>	<b>Source</b>	<b>Links to Risk Registers / Corporate Plan / Service Plans</b>
<b>General / Meetings / Non-Chargeable</b>				
Internal Audit Planning, Management and Audit committee work				
Advice and assistance				
<b>Quarter 1 Priorities (April - June 2022)</b>				
Grace Risk Management - ongoing development and training	Implementation of new Risk Management Software (GRACE). Facilitation of strategic and operational workshops and training of staff.	Feb-22	RB	Governance and Business Support Service Plan
Key Financial System control matrices	A suite of control matrices are to be developed containing the key controls all the council's financial systems. These matrices will be completed with the finance team to identify the key risks within these systems to identify the audit work required in these areas.	Feb-22	KFS	Mandatory
NFI Covid-19 Grants Post Assurance Testing	Following completion of the various grant schemes, data was uploaded to the NFI portal in January 2022, return matches are due March 2022. A review of these matches will be completed.	Feb-22	M	N/A
Beach Management Scheme - ongoing	Internal Audit will continue to be part of the project group in a business assurance role until the project is completed.	Feb-22	S	Business Plan project

Project Neptune - ongoing	Internal Audit to attend the fortnightly project meetings to assess the governance processes and discuss if a business assurance role required. Expected completion date end of May 2022.	Jun-21	S	Strategic / Operational Risks
Business Health Matters Programme - rolled from 2021/22	The Business Health Matters Project commenced in September 2021. ESF grant funding has been obtained by Active Lancashire, the accountable body, to enable each authority within Lancashire to deliver a range of workplace health initiatives to small / medium sized businesses within their area. A review of the governance arrangements for the programme being delivered by Wyre Council to be completed.	Sep-21	R	Service plans
Audit and Risk Manager - other responsibilities	Overseeing the management of Insurance and Business Continuity.	Feb-21	S	N/A
<b>Future Priorities (Q2-4)</b>				
National Fraud Initiative (NFI) - Full data upload of all datasets plus the annual Single Persons Discount (SPD) upload	Q3 - Internal Audit will collate and upload the 2022/23 data for the full national exercise and annual SPD data in order to comply with the requirements of the mandatory annual NFI data matching exercise.	Feb-22	M	Mandatory
Key Financial System control matrices	Following completion of the risk matrices in Q1, any key risks arising from the completion of these matrices will be reviewed and audit work completed to introduce additional controls to mitigate these risks.	Feb-22	KFS	Mandatory
Preparation for the internal audit PSIAS peer review in March 2023	The Public Sector Internal Audit Standards require an external assessment of the internal audit function to be completed every 5 years. The council's assessment is due to be completed in March 2023 and preparation for this review will be carried out.	Feb-22	M	Mandatory

Risk Management - New System	On-going monitoring of the Risk Software (GRACE) and the facilitation of strategic and operational workshops.	Feb-22	RB	Governance and Business Support Service Plan
Performance Management - development of new process	Revision of the Performance Management procedures and processes and reporting of performance.	Feb-22	S	Business Plan projects
Grant schemes compliance audits	The council have received various sources of grant funding during 2021/22 for different projects / schemes. Assurances are required that where the council is the accountable body, the terms and conditions of the grant funding are complied with i.e. Holiday scheme, Household support fund.	Feb-22	RB	Service plans
Follow-up work	In line with the Audit Charter, a follow-up review will be carried out to ensure all audits receiving a 'Limited' or 'Minimal' assurance opinion have implemented the required actions in order to raise the assurance opinion to an acceptable level.	Feb-22	M	Mandatory
Assurance mapping exercise	To assist with the development of the audit plan for 2023/24 and ensure resources are maximised, assurance mapping will be completed with each council service to identify where other sources of assurance are being received and expose areas where audit assurance may be required.	Feb-22	M	Compliance with CIPFA's Delivering Good Governance Framework / Local Government Application Note and the Public Sector Internal Audit Standards
<b>R = Referral</b> <b>KFS = Key Financial System</b> <b>M = Mandatory</b> <b>RB = Risk Based</b> <b>S = Support work</b>				



Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	1 March 2022	

## ANNUAL REVIEW OF INTERNAL AUDIT CHARTER

### 1. Purpose of report

- 1.1 Agreement of the Internal Audit Charter for the Audit and Risk Management Section ensuring compliance with the Public Sector Internal Audit Standards (PSIAS) and the associated Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note.

### 2. Outcomes

- 2.1 Compliance with the PSIAS and the checklist contained within CIPFA's Application Note constituting 'proper practices' as defined in the Accounts and Audit Regulations 2015.

### 3. Recommendation

- 3.1 That the Audit Committee agrees the Internal Audit Charter and Code of Ethics attached at Appendices 1 and 2.

### 4. Background

- 4.1 Specific requirements detailed in the Accounts and Audit Regulations 2015 require a relevant body to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account PSIAS or guidance'. From 1 April 2013 the standards and guidance were defined in the PSIAS and CIPFA's Application Note which provides guidance on the specific requirements for local government internal audit services.
- 4.2 The Application Note documents a number of specific local government requirements, including the requirement to complete an extensive checklist for assessing compliance with the PSIAS. One of the mandatory requirements within the checklist is to have an Internal Audit Charter in place.

- 4.3** In addition, The Audit and Risk Manager publishes an Internal Audit Strategy which assists in demonstrating how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter, council objectives and priorities.

### **Key Issues and proposals**

- 5.1** Since the Audit Charter was last approved in March 2021, the following changes have been made, namely;

- Following the departure of the Head of Business Support in June 2021, the Head of Governance assumed responsibility for the majority of their services becoming the Head of Governance and Business Support. Their role as Chief Internal Auditor was passed to the Audit and Risk Manager, formerly the Senior Auditor. The Charter has been updated to reflect this;
- Removal of any reference to the use of Lancashire County Council Audit Services;
- Change of wording to reflect the new working papers in particular the 'Audit Brief' and the 'RACE' document;
- Change of wording to reflect the new audit opinions of 'limited' or 'minimal / no assurance' for reports requiring a follow up;
- Feedback on the Audit and Risk Manager's performance will now be provided to the Head of Governance and Business Support; and
- Change of wording to reflect the councils participation in the ICT audit services framework with MIAA managed by Lancashire County Council.

- 5.2** The Internal Audit Charter and Code of Ethics are included for approval at Appendices 1 and 2.

<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 an x.



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

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

### **Processing Personal Data**

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

report author	telephone no.	Email	date
Karen McLellan	01253 887586	Karen.mclellan@wyre.gov.uk	03.02.2022

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

### **List of appendices**

Appendix 1 – Internal Audit Charter

Appendix 2 – PSIAS Code of Ethics



## **Internal Audit Charter – March 2022**

### **Introduction**

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Internal Audit Charter sets out the purpose, authority and responsibility of the internal audit activity at Wyre Council and includes a Code of Ethics which stipulates the conduct of Internal Auditors within the Audit and Risk Management Section.

The Internal Audit Charter is publicised within the council to ensure that the role of the Audit and Risk Management Section is understood. The Audit and Risk Manager is responsible for reviewing the Internal Audit Charter and presenting it to the Corporate Director Resources / Section 151 Officer (Senior Management) and the Audit Committee (The Board) at least annually for review and approval.

### **Definition of Internal Audit**

The PSIAS defines internal auditing as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objective’s by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

### **Mission of Internal Audit**

The Internal Audit Charter sets out what the internal audit service aspires to accomplish; which is *‘To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’*. The core principles listed in the PSIAS, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively. Failure to achieve any of the principles would imply that an internal audit function was not as effective as it could be in achieving internal audit’s mission. There are 10 core principles, namely:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;

- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

### **Responsibilities**

Internal Audit is a review activity that does not relieve management of its responsibility for ensuring that effective systems of control are in place. The council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the council's objectives. Management shall accept and implement internal audit findings and recommendations, or accept the risk resulting from taking no action.

The Audit and Risk Management Section will assist the council in discharging its corporate governance requirements and ensure that the council's assets and activities have the necessary insurance cover. The Audit and Risk Manager is responsible for:

- Developing and maintaining an internal audit strategy demonstrating how the internal audit service will be delivered and developed in accordance with the internal audit charter, council objectives and priorities.
- Developing a risk-based audit plan in the context of the strategic direction and based on an understanding of the council's key risks;
- Managing the provision of a complete professional internal audit service that is compliant with the PSIAS and CIPFA's Application Note;
- Providing an annual internal audit opinion to the Audit Committee, based on the outcomes of internal audit work conducted throughout the year;
- Assisting officers and members of the authority in the effective discharge of their responsibilities;
- Examining, evaluating and reporting on the adequacy of internal controls as a contribution to the efficient, effective and economic use of resources;
- Evaluating the effectiveness and contributing to the improvement of risk management processes;
- Ensuring the council's assets and interests are accounted for and safeguarded against losses of all kinds, including those arising from fraud, irregularity, corruption or bribery;

- Maintaining a level of independence and integrity to permit the proper performance of the internal audit function;
- Maintaining an effective working relationship with the External Auditor;
- Attending Audit Committee meetings, contributing to Audit Committee Agendas and advising the Committee on any scope or resource limitations;
- Assessing all matters of potential fraud or irregularity in line with the requirements of the Council's counter-fraud policies; and
- Assisting the Audit Committee in achieving effectiveness in the delivery of their terms of reference.

In carrying out their role, staff within the Audit and Risk Management Section are required to comply with the auditing standards as defined in the PSIAS, the Accounts and Audit Regulations 2015 and any other relevant professional guidelines issued by The Institute of Internal Auditors.

In accordance with the Accounts and Audit Regulations 2015, an annual review of the effectiveness of the system of internal control must be carried out. This will be conducted using the checklist within CIPFA's Application Note which will be presented to the Audit Committee in May. The outcome of the exercise will form part of the Annual Governance Statement (AGS). Completing an exercise of this nature also allows greater reliance to be placed on the overall opinion on the effectiveness of the control environment within the Annual Audit Report.

### **Limitations of Internal Audit Responsibilities**

In seeking to discharge the responsibilities of Internal Audit set out above, it should be noted that Internal Audit is not responsible for the following, which are the proper responsibility of management:

- Controlling the risks of the organisation;
- Establishing and maintaining systems of internal control;
- Determining operational policies or procedures; and
- Preventing or detecting fraud and irregularity.

### **Organisational Roles and Relationships**

The PSIAS require that the internal audit charter defines the terms 'Board' and 'Senior Management' in relation to the work of internal audit. For the purpose of internal audit work at Wyre Council, the 'Board' is taken to refer to the Audit Committee and 'Senior Management' is taken to refer to the Corporate Director Resources / Section 151 Officer. The PSIAS also refer to the 'Chief Audit Executive' which at Wyre refers to the Audit and Risk Manager (Head of Internal Audit).

The council has adopted CIPFA's Statement on the Role of the Chief Financial Officer in Local Government and the associated Statement on the Role of the Head of Internal Audit in Public Service Organisations. These statements set out principles and standards for the Corporate Director Resources / Section 151 Officer and the Audit and Risk Manager to act in a mutually supportive way in fulfilling their statutory and professional responsibilities.

Internal Audit supports the Chief Executive, as Head of Paid Service, in providing high level assurances related to the council's strategy and governance arrangements and will use the Annual Governance Statement to notify him of any significant issues.

Internal Audit supports the Monitoring Officer in discharging her responsibilities in maintaining high standards of governance, conduct and ethical behaviour.

The Audit and Risk Management Section derives its authority from the Financial Regulations and Financial Procedure Rules, contained within the Council's Constitution.

### **Relationships with Elected Members, Officers, External Audit and Other Agencies**

To ensure good working relationships are established, the Audit and Risk Management Section comply with the 'protocol for officer / member relations' which forms part of the Council's Constitution and involves:

- Working in a spirit of mutual respect and co-operation;
- Maintaining impartiality;
- Being politically neutral;
- Respecting confidentiality;
- Observing the protocols with regards to access to information; and
- Trying to resolve any issues informally and in a spirit of understanding.

The Audit and Risk Management Section will co-operate with External Audit and other review agents to:

- Ensure that duplication of work is minimised;
- Consider joint delivery;
- Determine the level of assurance that can be obtained from their work; and

Review the reliance that can be placed on that assurance as part of the Audit and Risk Manager's overall opinion on the control environment included in the Internal Audit Annual Report.

### **Independence and Objectivity**

Internal Audit operates independently within the council to ensure it is able to appraise and give an impartial opinion on the council's governance arrangements, risks and internal control systems.

To ensure this independence, internal audit operates within a framework that allows unrestricted access to all council officers, senior management and elected members. As such all internal audit staff have the right to access all premises, records and documentation held by the council, its officers and Elected Members and to seek explanation as they see necessary to discharge their duties. This position is supported by the Accounts and Audit Regulations 2015.

### **Reporting Lines**

The Audit and Risk Management Team sits within the Resources Directorate and the Audit and Risk Manager reports directly to the Corporate Director Resources / Section 151 Officer. Internal audit activity is organisationally independent in its planning and operation and as such has unrestricted access to the following:

- ♦ Chief Executive;
- ♦ Monitoring Officer;
- ♦ Chairman of the Audit Committee;
- ♦ Chairman of the Standards Committee;
- ♦ Members of the Council; and
- ♦ All council employees.

Functionally, the work of internal audit is reported to the Corporate Director Resources / Section 151 Officer, other Corporate Directors, Heads of Service, Audit Committee and the External Auditor by means of specific reports. They are also reported in summary form to the Audit Committee via six-monthly monitoring and activity reports.

The Audit and Risk Manager and the Chairman of the Audit Committee have mutual, direct access to each other and will liaise as they consider appropriate.

### **Due Professional Care and Ethics**

All Audit and Risk Management staff have an ethical responsibility to work with due professional care. Due professional care is the care and skill that prudent and competent internal auditors will apply in performing their duties; working with competence and diligence, using knowledge and judgement based on experience, training and ability.

Care will be appropriate to the objectives, complexity, nature and materiality of the audit being performed. The auditor will consider various data analysis techniques and be alert to significant risks that may affect the organisation.

The PSIAS contain a Code of Ethics which is mandatory for all internal auditors in the public sector and all internal audit staff at Wyre Council will operate in accordance with this. In addition, internal auditors are also required to comply with the relevant requirements of their own professional bodies and the organisation in which they are employed and have regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'.

### **Quality Assurance and Improvement Programme (QAIP)**

The PSIAS requires that the Chief Audit Executive (at Wyre this is the Audit and Risk Manager) develops and maintains a Quality Assurance and Improvement Programme (QAIP). A QAIP is designed to enable an evaluation, checking that internal audit's activity conforms to the 'Definition of Internal Auditing', the PSIAS and whether Internal Auditors apply the Code of Ethics. The QAIP also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The QAIP must include both internal and external assessments and any improvement plans resulting from the QAIP must be monitored accordingly. The following activities make up the QAIP at Wyre:

#### **Internal Assessment**

- On-going progress review of internal audit activity;
- 6 monthly performance appraisals for all audit staff;
- Completion of CIPFA's Application note checklist to assess the Effectiveness of Internal Audit;
- Quality inspections of all audit work by the Audit and Risk Manager;
- Annual certification confirming compliance with the Code of Ethics contained within the Audit Charter; and
- Annual feedback from the Chairman of the Audit Committee on the Chief Audit Executive's performance.

#### **External Assessment**

- ;
- Annual review and validation of the Annual Governance Statement;
- The External Auditor has an annual opportunity to raise any issues concerning Internal Audit activity with the Audit Committee.
- External assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation in accordance in the PSIAS. The last assessment was carried out in 2018 with no significant issues reported. The next review is scheduled for 2023.

The results of the quality and assurance programme and progress against any improvement plans will be reported in the annual report to the Corporate Director Resources / Section 151 Officer and the Audit Committee.

## **Strategy and Planning**

The Audit and Risk Manager will develop and maintain an Internal Audit Strategy to demonstrate how the internal audit service will be delivered and developed in accordance with the internal audit charter, council objectives and priorities.

The Audit and Risk Manager will also prepare a risk-based audit plan taking into account the Council's Business Plan, Service Plans, the Medium Term Financial Plan, Strategic and Operational Risk Registers and discussions with the council's Corporate Management Team and the External Auditor. The audit plan will outline the assignments to be carried out and include an assessment of the resources required for delivery. The Audit Committee will approve the plan in advance of the financial year.

To reflect any changing priorities or emerging risks, the audit plan will be reviewed on a quarterly basis. Progress in relation to the plan will be reported to the Audit Committee on a six monthly basis.

## **Resourcing and Staffing**

The Audit and Risk Manager (Chief Audit Executive) will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to the professional values and the Code of Ethics. The Audit and Risk Manager will have sufficient skills, experience and competencies to work with the Corporate Director Resources / Section 151 Officer and the Audit Committee to influence the risk management, governance and internal control of the council.

The Audit and Risk Manager is responsible for ensuring that Internal Audit are suitably resourced in order to achieve its overall mission and will aim to maintain a suitable mix of experienced and qualified staff. . To further strengthen these resources the council have elected to participate in the ICT audit services framework with Merseyside Internal Audit Services (MIAA) managed by Lancashire County Council should additional expertise be required in this area.

Individual training needs are established and agreed through the council's Performance Appraisal process along with the most cost effective way of meeting those needs. As a professional service, staff are expected to actively participate in formal Continuing Professional Development (CPD) schemes.

Once a year, the Audit Committee will have the opportunity to attend two scheduled private discussions, one with the council's External Auditors and the other with the Audit and Risk Manager. Following on from these discussions, feedback on the Audit and Risk Manager's performance is provided by the Chairman of the Audit Committee to the Head of Governance and Business Support prior to the Audit and Risk Manager's annual performance appraisal taking place.

## **Scope of Internal Audit Work**

Using a systematic, disciplined and risk-based approach, the scope of internal audit work covers all of the council's governance arrangements, procedures for ensuring



the effective management of all significant risks and ensuring regularity in all its financial areas, including value for money.

It allows for unrestricted coverage of the authority's activities and unrestricted access to all records, personnel, property and assets deemed necessary in the course of an engagement. Such access shall be granted on demand and is not subject to advance notice. There are no limitations placed upon the scope of internal audit work. Internal audit has the right to request and receive explanations from all employees or Elected Members concerning any matter under consideration.

The scope of internal audit work extends to services provided through partnership arrangements. The Audit and Risk Manager at Wyre Council should decide, in consultation with all parties, whether internal audit staff should conduct the work to derive the required assurance or rely on the assurances provided by others.

If the Audit and Risk Manager or those charged with governance consider that the level of internal audit resources in any way limits the scope of internal audit work, or prejudices the ability of internal audit to deliver a service consistent with the definition of internal audit, they should advise the Audit Committee immediately.

Internal audits are not limited to financial systems or records, but extend to all the activities of the council as this reflects the control environment and the governance arrangements in place. The Audit and Risk Management Section will undertake the following activities as and when required:

- Promote appropriate ethics and values within the organisation;
- Assess and make appropriate recommendations to improve the organisation's governance processes and monitor progress made against governance actions;
- Review compliance with laws, regulations, council policies, the Financial Regulations and Financial Procedure Rules and contracts;
- Review compliance with the Council's Constitution;
- Undertake transaction testing to provide assurance as to the accuracy of processing;
- Perform Computer Audit and Contract Audit;
- Undertake proactive and reactive management of the council's insurance portfolio, linked to risk;
- Investigate suspected fraud, bribery and corruption (not including Benefit Fraud Investigation work);
- Embed risk management – including the identification and assessment of significant risks, risk responses and communication of relevant risk information

to enable staff and management and the board to carry out their responsibilities;

- Carry out value for money studies; and
- Verify performance information and published national and local indicators.

### **Consultancy work**

Internal audit may act in a consulting role to review controls within existing systems and those under development to give advice and assistance when required, without assuming management responsibility. A contingency will be made in the internal audit plan to support management in this way.

Prior to accepting any additional consultancy work not already included in the internal audit plan, the Audit and Risk Manager will consider the effect this would have on the completion of the assurance work. In accordance with PSIAS, approval will be obtained from the Audit Committee for any consultancy work requested, prior to accepting the engagement.

### **Engagement planning**

For each engagement, an Audit Brief will be prepared and agreed with relevant managers. The Audit Brief will contain a Risk and Control Evaluation (RACE) which detail the risks relevant to the activity under review, together with the objectives, scope and timing of the audit assignment, resource and reporting requirements.

### **Performing the engagement**

During each engagement, Internal Audit will identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives and to support the recommendations made and the overall conclusion. The draft report and supporting evidence will be reviewed by the Audit and Risk Manager to ensure objectives have been achieved and quality assured. All evidence obtained will be documented and securely retained in accordance with the council's Information Asset Register and access to this will be controlled.

### **Communicating results**

Following the conclusion of each engagement, a formal report detailing the findings and recommendations / action plan will be prepared by the Audit and Risk Management team and issued by the Audit and Risk Manager..

As part of Internal Audit's Quality Assurance and Improvement Programme, a 4:4:2 timescale is applied when conducting audit work and drafting and finalising audit reports. The timescales apply as follows;

- 4 weeks from the commencement of the audit fieldwork, a draft report will be issued;

- 4 weeks from the issue of a draft report, a management response and completed action plan will be received; and
- 2 weeks from receiving the response and action plan, the report will be issued as a 'final' version.

The reports are distributed as follows;

- Managers receive a final copy of the report with an agreed action plan, following confirmation of the draft report's factual accuracy. The action plan details responsibilities for action, the timetable and priorities. Whilst management are ultimately responsible for the implementation of agreed actions, follow up audits will be completed by Internal Audit to monitor implementation of the agreed actions and provide an updated assurance opinion where this was awarded limited or minimal / no assurance. The Audit Committee will receive regular updates and should the overall assurance opinion remain unchanged following the completion of two follow-up reviews, the Committee may seek explanations directly from the managers responsible for the delay or failure to implement recommendations.
- The Section 151 Officer and the appropriate Corporate Director, the Audit Committee and the council's External Auditor all receive copies of the final reports. A copy is also published on the council's SharePoint hub.
- The Audit Committee receives six-monthly updates on audit work performed and an executive summary of findings / recommendations made, highlighting any key issues arising from this work.
- At each meeting, the Committee have the opportunity to discuss any of the audit reports that have been issued since the previous meeting. Officers may be asked to attend the Audit Committee meeting to address any questions raised by the members.

### **Fraud, Bribery and Corruption**

Managing the risk of fraud, bribery and corruption is vital to the success of the council in achieving its corporate objectives. The Audit and Risk Management Section will assist management in the effective discharge of this duty. Audit procedures alone, even when performed with due care and professionalism cannot guarantee that a system is 100% risk free, nor that all incidents of fraud, bribery and corruption will be detected and investigated.

The Audit and Risk Management Section is not solely responsible for the prevention or detection of fraud, bribery and corruption. It will, however, remain alert to risk and exposures both internal and external to the organisation. Close involvement with the national anti-fraud agencies and participation in the National Fraud Initiative will assist this process.

Any evidence or suspicion of an irregularity regarding council funds, property or any other asset or interest should be reported immediately using the Whistleblowing Policy. The council is committed to the highest possible standards of openness, probity and accountability, and encourages all its Elected Members, employees, partners and contractors to voice their concerns without fear of reprisal.

The Audit and Risk Management Section will lead or assist in the development, maintenance and delivery of training associated with the effectiveness of policies that contribute towards sound corporate governance, as detailed in the council's Annual Governance Statement e.g. Whistle Blowing Policy, Anti-Fraud, Bribery and Corruption Policy, Officer's Gifts, Hospitality and Interests and the Anti-Money Laundering Policy and Procedures.

## **Public Sector Internal Audit Standards – Code of Ethics**

### **Introduction**

The PSIAS contain a Code of Ethics (the Code) which is mandatory for all internal auditors in the public sector. In addition, internal auditors are also required to comply with the relevant requirements of their own professional bodies and the organisation in which they are employed.

### **Purpose**

The purpose of these ethics is to promote an ethical, professional culture in internal auditing. Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'. Namely;

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

The Audit and Risk Manager at Wyre Council will ensure that auditors are regularly reminded of their ethical responsibilities as part of the performance appraisal process. Auditors will be asked to declare annually any personal interests and certify that they understand and will comply with the requirements of the Code.

### **Applicability and Enforcement**

The Code applies to both individuals and entities that provide internal auditing services.. For members of the Institute of Internal Auditors (IIA), breaches of the Code shall be evaluated and administered according to the IIA Disciplinary Procedures. Disciplinary procedures of other professional bodies e.g. CIPFA and employing organisations may also apply to breaches of the Code.

## **Fundamental Principles**

Internal auditors are expected to apply and uphold the following four principles:

### **1. Integrity**

**The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.**

Internal Auditors:

- Shall perform their work with honesty, diligence and responsibility;
- Shall observe the law and make disclosure as required by the law and their professions;
- Shall not knowingly be part of any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation; and
- Shall respect and contribute to the legitimate and ethical objectives of the organisation.

### **2. Objectivity**

**Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.**

Internal Auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Shall not accept anything that may impair or be presumed to impair their professional judgement; and
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### **3. Confidentiality**

**Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.**

Internal Auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties; and
- Shall not use 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.

#### **4. Competency**

**Internal Auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.**

Internal Auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience;
- Shall perform internal auditing services in accordance with the Public Sector Internal Audit Standards; and
- Shall continually improve their proficiency and effectiveness and quality of their services.

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