



## **Audit Committee Agenda**

**Wyre Borough Council**  
**Date of Publication: 6 June 2022**  
Please ask for : Daphne Courtenage  
daphne.courtenage@wyre.gov.uk  
Tel: 01253 887476

**Audit Committee meeting on Tuesday, 14 June 2022 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** (Pages 3 - 8)  
  
To confirm as a correct record the minutes of the last meeting of the Audit Committee held on 01 March 2022.
- 6. Review of Effectiveness of Internal Audit** (Pages 9 - 80)  
  
Report of the Corporate Director Resources (Section 151 Officer) Clare James, presented by the Audit and Risk Manager.
- 7. Annual Internal Audit Report 2022** (Pages 81 - 130)  
  
Report of the Corporate Director Resources (Section 151 Officer) Clare James, presented by the Audit and Risk Manager.
- 8. Draft Annual Governance Statement** (Pages 131 - 162)  
  
Report of the Corporate Director Resources (Section 151 Officer) Clare James, presented by the Head of Governance and Business Support.
- 9. Statement of Accounts (pre-audit training)** (Pages 163 - 238)

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

- 10. Audit Progress 2020-21 and 2021-22 (including 2022-23 Audit Plan update)** (Pages 239 - 240)  
Report of the Council's external auditors – Deloitte.
- 11. Audit scale fee for 2021-22 and 2022-23** (Pages 241 - 242)  
Letter from the Council's External Auditor – Deloitte.
- 12. Time and date of the next meeting**  
Tuesday 26 July 2022 at 6pm in the Council Chamber.



## Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 1 March 2022 at the Council Chamber - Civic Centre, Poulton-le-Fylde.

---

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

Councillors McKay, Ingham, A Turner, E Ellison, Longton, Minto, Moon, Stirzaker, L Walmsley and Leech

### **Apologies for absence:**

Councillors R Amos and Webster

### **Other councillors present:**

None.

### **Failure to attend:**

Councillors Fairbanks and George

### **Officers present:**

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

No members of the public or press attended the meeting.

---

#### **40        Declarations of interest**

None.

#### **41        Confirmation of minutes**

The minutes of the meeting of the Audit committee held on the 16 November 2021 were **approved** as a correct record.

#### **42        Annual Review of Audit Committee's Terms of Reference**

The Corporate Director Resources submitted a report, to support members in their periodic consideration of the terms of reference of the Audit Committee

in accordance with best practice guidance.

The Audit and Risk Manager, Karen McKellan, introduced the report. She indicated to members the points of reference on page 12 of the agenda pack, which would set out the core purpose and functions of the committee which was to provide an independent review of the Council's governance, risk management and control framework. The committee also oversaw financial reporting and annual governance processes and the provision of internal and external audit services to ensure there was effective assurance arrangements in place.

She stated that there were some minor changes from the previous review, mainly concerning titles, including that of the Data Protection Officer, Joanne Billington, to reflect her new title as Head of Governance and Business Support.

She also mentioned that the responsibility for cybersecurity had been added to the committee's core functions, as it was intrinsically linked to the risk management processes and data protection. She told the committee they would receive regular reports and updates in the future, however it had not yet been decided what format these reports and updates would take.

The committee considered the previously agreed terms of reference and **agreed** that they accurately reflected the role of the committee, and **agreed** the terms of reference be recommended to Full Council for approval.

#### **43 Internal Audit Strategy and Audit Plan Priorities 2022/23**

The Corporate Director Resources submitted a report for the committee to review the Internal Audit Strategy and Audit Plan Priorities for the 2022/23 financial year.

The Audit and Risk Manager introduced the report. She explained that the Internal Audit Strategy could be found on page 18 of the agenda pack, and would help them to comply with Public Sector Internal Audit Standards and the Council's Internal Audit Charter. The strategy set out how the Internal Audit Service would be developed and delivered and also contained the strategic aims and objectives and outlined the Council's responsibility for the identification of key risks. The Annual Audit Plan was linked to this, which had been pulled together from the strategic and operational workshops and detailed the work that internal audit would provide during the year and provide assurances in the areas where key risks were being identified.

As with last year, she explained that they were continuing with a quarterly planning approach, as opposed to the annual plan from previous years.

The Audit and Risk Manager went through the priorities for quarter 1 and the future priorities for quarters 2 to 4. She explained that they were still in the process of finalising their annual risk workshops, assurance mapping statements and their key financial system control matrices; therefore they would need to review the plan following completion of these and audits would

be added or removed dependent on the level of risk identified.

She explained to members that the 2022/23 audit plan would be completed solely in-house as they now had additional resources of the Audit, Risk and Performance Lead officer, Dawn Allen. However, they could also receive support from the ICT Support Framework, provided for by Lancashire County Council if required.

The Audit and Risk Manager was confident that they would be able to give an annual audit opinion by the end of the year.

The committee **approved** the Internal Audit Strategy and Audit Priorities 2022/23.

#### **44 Annual Review of the Internal Audit Charter**

The Corporate Director Resources submitted a report detailing the 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.

The Audit and Risk Manager introduced the report. She explained that the Charter set out the purpose of Internal Audit and the level of authority within the Council and its overall responsibilities. It also included the Code of Ethics, relating to the conduct of the Internal Audit team.

She brought the committee's attention to the changes being made this year, including the change in title of the Head of Governance to include her responsibility as Head of Governance and Business Support, as well as the role of Chief Internal Auditor being passed on to the Audit and Risk Manager, as well as other minor changes to wording.

Councillor Moon asked what risks the Audit team had identified with the rising costs of living and what actions they had considered to mitigate this.

The Corporate Director Resources explained that the Medium Term Financial Plan (MTFP) was set out to include a five-year forecast, into which underlying assumptions were built in. The council was already experiencing the effects of the rise in cost of living, and that they would see a worsening position relating to inflation in October 2022 when the MTFP was next presented to Cabinet. However, the Finance Team were alert to these potentials, and they had been picked up on strategic risk registers. She told members that they were watching the situation and were cautious of making difficult decisions too early, and were hopeful for a multi-year settlement in December which would aid medium term financial planning.

Councillor A Turner asked about whether adaptations had been made to risk management with more staff working from home.

The Corporate Director Resources explained that during the pandemic, the

hybrid-working approach had been largely imposed on the council but had been taken on board quickly. She explained that the council was still adapting to and learning the best way to approach hybrid working going forward. No changes had been made so far to terms and conditions but conversations were happening with staff to figure out the appropriate approach and balance with service delivery being the priority. Changes would need to be made regarding insurance and equipment needed to work from home, but that this was a continuing discussion.

Councillor Longton asked how risk assessments and the Audit Plan reflected the risks associated with the new Local Plan and gave examples of the risks he felt would fall on the council.

The Audit and Risk Manager explained that during the operational risk workshops, the Head of Planning Services would identify any risks that were relevant to his service. He had not identified any severe risks in regard to the Local Plan, but she would seek clarification. The Corporate Director Resources also explained to members that the full review of the Local Plan had only just opened and so that was the most likely reason why any risks had yet to be identified. She also went on to explain that historically the risks identified had tended to be around the cost of the plan, delays and the potential for not meeting deadlines and problems at the Inspector's examination stage rather than those mentioned by the councillor.

The committee **approved** the Internal Audit Charter and Code of Ethics.

#### **45 Status of 2020/21 Statement of Accounts Audit**

Paul Hewitson, the external auditor from Deloitte, gave a verbal update to the committee on the status of the 2020/21 Statement of Accounts Audit.

He explained to members that his team, working with the Financial Services team, had hoped to have the statement of accounts completed by now, but unfortunately this was not the case. He assured members that they had not come across anything that was worrying and that the review were almost complete. His intention was for the work to conclude before the end of April, with the potential for an informal meeting with the Chair to discuss the findings once this target had been met.

The Chair asked Mr Hewitson what the main reason was for this extended delay. He responded that there was a chronic lack of skilled auditors in the sector, with the particular skills for local authority audit being in short supply, but that most local authorities were facing similar issues.

He told members that their plan was to get out of 2022 with a clean slate, with the hope that they would not experience the same delays with the 2021/22 statement of accounts. They were recruiting heavily, hoping to gain more resources over the summer. In response to a question from Councillor Moon, Mr Hewitson explained that there was a culture issue within the sector against local authority audit and scrutiny as it is not seen as a lucrative career path.

The Chair thanked Mr Hewitson for attending the meeting and the committee noted his verbal update.

**46 Periodic Private Discussion with the Chief Internal Auditor**

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

(The Corporate Director Resources, the Head of Governance and Business Support, the Assistant Democratic Services Officer, the External Auditor and the Audit, Risk and Performance Lead left the room for this item).

**47 Time and date of next meeting**

It was agreed that the next meeting of the Audit Committee would be held at 6pm on Tuesday 14 June 2022.

The meeting started at 6.00 pm and finished at 6.57 pm.

**Date of Publication:** XXX

This page is intentionally left blank





Report of:	Meeting	Date	Item no.
Corporate Director Resources (S151 Officer)	Audit Committee	14 June 2022	

<b>REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT</b>
--

**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 May/June 2022 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 application note was re-issued in February 2019 with minor amendments.

- 4.4** The PSIAS state that an external assessment must be conducted at least every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessment can be in the form of a full external assessment, or a self-assessment with independent external validation. 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 Audit, Risk and Performance Lead 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 Head of Governance and Business Support and the Corporate Director Resources (Section 151 Officer).
- 5.2** Two actions require attention following this review namely; the updating of the Quality Assurance and Improvement Programme (QAIP) and the requirement to seek independent review of risk management arrangements through a peer review exercise. 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
Dawn Allen	01253 887341	<a href="mailto:Dawn.allen@wyre.gov.uk">Dawn.allen@wyre.gov.uk</a>	23/05/2022

<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 / June 2022

This page is intentionally left blank

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?		The mission of Internal Audit is clearly documented in the Audit Charter. This is reviewed annually by the Audit Committee, last reviewed March 2022.
<i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>		
CONFORMS ✓	PARTIAL	

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 and Business Support, the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead's job descriptions.</p> <p>Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Arrangements will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2022/23 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system.</p> <p>Internal 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> <p>All the Audit, Risk and Performance Lead's reports are reviewed by the Audit and Risk Manager (CAE) and all the Audit and Risk Manager's reports are reviewed by the Head of Governance and Business Support prior to issue to ensure that the auditor has remained objective and that an overall balanced view is given.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>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?</p>			<p>There is a standard methodology in place for determining the ranking of assurance opinions and rankings of findings / recommendations in audit reports.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>RISK / Control matrices, risk registers and assurance mapping declarations are used to identify key areas prior to the start of each audit.</p> <p>Key financial systems control matrices have been introduced for 2022/23 to assist with the identification of areas requiring improved control / processes.</p> <p>The council has a risk management policy which is reviewed annually. The council has a risk management system (GRACE) which is in the process of being rolled out corporately (see 1100 Independence and Objectivity for action).</p> <p>The internal audit team use standardised working papers and audit report templates to maintain consistency.</p>

Questions to consider			Evidence / comments
<b>3 Core Principles</b>			
<p>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.</p>			
<p>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.</p>			
<b>Demonstrates integrity.</b>			<p>Auditors are bound by their professional and ethical standards and the Code of Ethics within 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>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>
<p>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?</p>			
CONFORMS ✓	PARTIAL	NOT CONFORMING	



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 issued annually in the weeks prior to Christmas. The last reminder was issued on the 25/11/21. A register of gifts and hospitality is maintained on SharePoint.</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 Audit, Risk and Performance Lead reports to the Audit and Risk Manager (CAE) 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 which took place in June 2021 strengthened the skills in the team further and this increased resource negates the need for routine use of external support.</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	

<b>Demonstrates quality and continuous improvement.</b>			<p>The annual self-assessment is carried out by the Audit and Risk Manager (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 Audit and Risk Manager (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.</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 demonstrating quality and continuous improvement?			
CONFORMS	PARTIAL ✓	NOT CONFORMING	
<b>Communicates effectively.</b>			<p>The Internal Audit Charter sets out how Internal Audit communicates its activity.</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 communicating effectively?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>Questions to consider</b>			<b>Evidence / comments</b>
<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 and assurance mapping declarations assist the team in ensuring the audit environment is covered. Going forward a set of key financial systems control matrices will also be completed. These documents aim to identify whether there are any significant changes to systems, procedures, staffing/structures, segregation of duties, reconciliations, statutory requirements etc. this information then being used to inform whether a more in depth audit is needed, focusing resources to provide assurances where they are actually needed.</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
<b>4 Code of Ethics</b>			
<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. Following a restructure in 2021 a new post (Audit, Risk and Performance Lead) was created and filled, this additional resource within the Audit and Risk Management Team has helped to ensure auditors are able to remain independent and objective.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>Confidentiality</b>			<p>Compliance with Audit Charter / Code of Conduct and Public Sector Internal Audit Standards.</p> <p>The Audit review process undertaken by the Audit and Risk Manager (CAE) includes a review of the information used for testing and how it was processed.</p> <p>Compliance with audit information asset registers.</p> <p>Understanding of the Data Protection Act 2018 and the enshrined GDPR.</p> <p>Compliance to the Audit Charter / Code of Ethics and the auditor's own professional standards.</p>
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <ul style="list-style-type: none"> <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>			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<b>Competency</b>		
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <ul style="list-style-type: none"> <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>		
CONFORMS	PARTIAL ✓	NOT CONFORMING
		<p>From 1 June 2021 the Chief Internal Auditor role was allocated to the Audit and Risk Manager. However whilst the post holder has significant audit experience and has already obtained Certified auditor status, she currently does not hold 'Chartered' status as required by the Public Sector Internal Audit Standards. Succession plans are in place within the Internal Audit Team and given the current Chief Internal Auditor has indicated she may wish to retire in 2023/24, a decision has been made to allow the Audit, Risk and Performance Lead to undertake the relevant 'Chartered' qualifications. Whilst the Audit, Risk and Performance Lead obtains the necessary 'Chartered' status, the Head of Governance and Business Support (who holds the relevant qualifications) will countersign the Internal Audit Effectiveness review and also the Annual Opinion.</p> <p>The Audit, Risk and Performance Lead has extensive Local Authority Internal Audit Experience and has achieved the IIA Certificate in Audit and Business Risk. It is hoped that she will be able to undertake the 'Chartered by Experience' qualification.</p> <p>The Audit and Risk Manager and the Audit, Risk and Performance Lead have both been supplied with a copy of Audit Charter / Code of Ethics and the PSIAS and performance is regularly assessed. Work related objectives are agreed in advance as part of the council's performance appraisal scheme.</p> <p>Staff are encouraged to maintain records of continuing professional development to satisfy their professional membership requirements.</p> <p>Regular attendance at the CIPFA audit weekend school.</p> <p><b><u>Action</u></b>  <b>Whilst the Audit, Risk and Performance Lead is obtaining the necessary 'Chartered' status, the Head of Governance and Business Support will countersign the Internal Audit Effectiveness review and also the Annual Opinion until they are qualified.</b>  <b>The QAIP needs to be updated to reflect this arrangement and the requirement for the Audit, Risk and Performance Lead to undertake the necessary 'Chartered' status.</b></p>

<b>Seven Principles of Public Life</b>			A copy of the Internal Audit Charter and the Code of Ethics which 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.
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> ?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>Questions to consider</b>			<b>Evidence / comments</b>
<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>



- Set out the existing arrangements within the organisation's anti- fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety?
- Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities?
- Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?
- Define the nature of consulting services?
- Recognise the mandatory nature of the PSIAS?

CONFORMS ✓

PARTIAL

NOT CONFORMING

Questions to consider			Evidence / comments
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?			An annual review of the Audit Charter is undertaken and approved by Audit Committee, last reviewed March 2022.
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 Audit and Risk Manager (CAE) reports directly to the Head of Governance and Business Support 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.  Access rights and reporting lines are documented in the Audit Charter. The Chairman of the Audit Committee attends regular pre-meeting briefings in person or via telephone.
Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Does the CAE attend audit committee meetings?			The CAE attends audit committee meetings and contributes to the agendas. See minutes of Audit Committee indicating attendees and contribution.
Does the CAE contribute to audit committee agendas?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>Are threats to objectivity identified and managed at the following levels:</p> <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 Audit and Risk Manager (CAE) will consider any threats to objectivity at the start of each audit.</p> <p>Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Preparations will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2022/23 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system.</p> <p><b>Action</b>  <b>Arrangements need to be explored with another District Council to carry out a 'peer review' of the council's risk management processes.</b></p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p><b>1110 Organisational Independence</b></p>			
<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>			
<p>Does the CAE report to an organisational level equal or higher to the corporate management team?</p>			
<p>The CAE reports directly to the Corporate Director Resources (Section 151 Officer) who sits on Corporate Management Team.</p>			
<p>Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?</p>			
<p>The CAE reports directly to the Corporate Director Resources (Section 151 Officer) who sits on Corporate Management Team.</p>			
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 reports directly to the Corporate Director Resources (Section 151 Officer) who sits on Corporate Management Team.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p>			<p>Documented in the Audit Charter which is presented to the Audit Committee annually (March 22).</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p>	<p>The Audit Committee annually approves the Internal Audit Charter, 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> <p>The remuneration of the CAE is in accordance with the Council's Pay and Grading Policy.</p>	
<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.</p> <p>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 Audit Committee have the opportunity to question the Audit and Risk Manager (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 Head of Governance and Business Support, who sits on the Corporate Management Team has regular 1-2-1's with the Audit and Risk Manager (CAE) and also completes her performance appraisal. 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 (CAE). 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. They would then notify the Corporate Director Resources of any issues should they arise.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p> <p>Feedback on the Audit and Risk Manager'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>

<b>1111 Direct Interaction with the Board</b>			
Does the CAE communicate and interact directly with the board?			The Audit and Risk Manager (CAE) attends a pre-audit meeting with the Chairman of the Audit Committee and also attends all Audit Committee Meetings (apart from closure of accounts).
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>Questions to consider</b>			<b>Evidence / comments</b>
<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.  Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Preparations will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2022/23 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system (see 1100 Independence and Objectivity for action).
Does the board periodically review these safeguards?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>1120 Individual Objectivity</b>			
Do internal auditors have an impartial, unbiased attitude?			The Internal Audit Charter / Code of Ethics sets out the expected behaviours of the team including acting impartially in an unbiased way.  Feedback on internal audit reviews have not been completed during 2021/22. The software (Limehouse) used to facilitate the feedback process is no longer in use. A new process has now been agreed for the audit year 2022/23.
CONFORMS	PARTIAL ✓	NOT CONFORMING	
Do internal auditors avoid any conflict of interest, whether apparent or actual?			Auditors will complete an annual declaration of interests.
CONFORMS ✓	PARTIAL	NOT CONFORMING	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.

<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.  Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Preparations will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2022/23 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system (see 1100 Independence and Objectivity for action).
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?			N/A
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?			Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Preparations will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2022/23 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system (see 1100 Independence and Objectivity for action).
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 always achievable. However, following a restructure in June 2021 which resulted in the appointment of a new Audit, Risk and Performance Lead, this addition to the Audit and Risk Management Team has helped to ensure audit assignments can be rotated periodically.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Have internal auditors declared interests in accordance with organisational requirements?			The Audit and Risk Management Section all complete an annual declaration of interests.
CONFORMS ✓	PARTIAL	NOT CONFORMING	Staff are provided with the Internal Audit Charter / Code of Ethics. Both documents are also on the intranet.
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?			There have been no declarations of gifts and hospitality received in 2021/22 by internal audit.
CONFORMS ✓	PARTIAL	NOT CONFORMING	Audit staff are reminded annually of the council's procedures in respect of receiving gifts and hospitality. Last reminder 25/11/21.



Questions to consider			Evidence / comments
Does review indicate that no instances have been identified where an internal auditor has used information obtained during the course of duties for personal gain?			There have been no instances where an auditor has used information obtained during the course of duties for personal gain.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?			See declaration of interest.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?			The council's Internal Audit Team do not undertake any consultancy work.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?			The council's Internal Audit Team does not undertake any consultancy work.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

5.3 1200 Proficiency and Due Professional Care			
<p>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.</p>			
<b>1210 Proficiency</b>			
<p>Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?</p> <p>Is the CAE suitably experienced?</p>			<p>The newly appointed Audit and Risk Manager (CAE) is not fully qualified to CMIIA level (chartered) however she is professionally qualified to PIIA standard and has 14 years' local government internal audit experience. Consideration is being given to whether the CAE will complete the IIA's Chartered by Experience qualification due to her possible retirement in 2023/24. Succession planning is in place and it is hoped that the Audit, Risk and Performance Lead will take on the role of CIA and undertake the appropriate qualifications.</p> <p>The Head of Governance and Business Support is a fully Certified Chartered Auditor (CIA / CMIIA) and holds a Qualification in Internal Audit Leadership (QIAL). The Head of Governance 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.</p>
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 Audit and Risk Manager (CAE) has been fully trained on the council's recruitment and selection procedures.</p> <p>Following a restructure in June 2021, the role of the CAE moved away from the Head of Governance and Business Support and was allocated to the new Audit and Risk Manager. A job description was formulated to reflect 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 appointed.</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 Audit and Risk Manager is PIIA qualified and satisfies the required competencies for the role.</p> <p>The Head of Governance and Business Support and the Audit and Risk Manager 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 e.g. Lancashire County Council / MIIA.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Questions to consider			Evidence / comments
<p>Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?</p>			<p>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.</p> <p>Both the Head of Governance and Business Support and the Audit and Risk Manager (CAE) have attended an external course in respect of conducting internal investigations.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Do internal auditors have sufficient knowledge of key information technology risks and controls?</p>			<p>The council would use the expertise of an external auditor provider where appropriate.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>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?</p>			<p>Although the Internal Audit function do not have any CAAT software, if such software was required, arrangements could be made with another Local Authority to utilise the use of this.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

**1220 Due Professional Care**

Do internal auditors exercise due professional care by considering the:

- Extent of work needed to achieve the engagement’s objectives?
- Relative complexity, materiality or significance of matters to which assurance procedures are applied?
- Adequacy and effectiveness of governance, risk management and control processes?
- Probability of significant errors, fraud, or non-compliance?
- Cost of assurance in relation to potential benefits?

In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.

Both the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead will discuss and agree the scope, objectives and risks at the start of each audit with the client and compile the Audit Brief document which forms part of the audit working papers.

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 all CIPFA publications so they can access all up-to-date 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.

At the start of an audit, the auditor will have an initial meeting with the auditee as well as refer to the operational risks within the GRACE risk management system and assurance mapping declarations to identify / discuss potential risks. These are set out in the audit brief. If any further risks, fraud etc. are highlighted during the audit, the scope of the audit brief would be amended to include the work required. The auditor will also be alert to any non-compliance issues raised by officers.

All work is risk based. If additional work is required, the Audit, Risk and Performance Lead will agree this with the Audit and Risk Manager (CAE) subject to a cost/benefit analysis being undertaken.

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.

CONFORMS ✓

PARTIAL

NOT CONFORMING

<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>	
<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>
<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 Audit and Risk Management Team consists of the Audit and Risk Manager (CAE), and the Audit, Risk and Performance Lead.</p> <p>Each audit report produced by the Audit, Risk and Performance Lead is reviewed by the Audit and Risk Manager (CAE) and audit reports produced by the Audit and Risk Manger (CAE) are reviewed by the Head of Governance and Business Support to ensure the audit has been conducted in accordance with professional standards and requirements of any auditing publications.</p> <p>The skills and competencies of both the Audit and Risk Manager and the Audit, Risk and Performance Lead are annually reviewed as part of the council's performance appraisal scheme.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p><b>Questions to consider</b></p>		<p><b>Evidence / comments</b></p>
<p><i>Do internal auditors undertake a programme of continuing professional development?</i></p> <p>And</p> <p><i>Do internal auditors maintain a record of their professional development and training activities?</i></p>	<p>The Head of Governance and Business Support, the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead 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>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

**5.4 1300 Quality Assurance and Improvement Programme**

*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.*

*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?*

*Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?*

*Does the CAE maintain the QAIP?*

*Are any statutory requirements for review of the internal audit activity satisfied?*

CONFORMS ✓

PARTIAL

NOT CONFORMING

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. This has not been updated since 2018 as the last 2 effectiveness updates have not resulted in any actions. However following this effectiveness review an updated action plan will be required to include the following actions highlighted in this self-assessment.

The Internal Audit Annual Opinion makes reference to the QAIP; which includes both internal and external assessments.

The internal assessments include:

- An annual self-assessment of the effectiveness of the audit service using the PSIAS;
- Feedback on the Audit and Risk Manager (CAE) is sought annually prior to their performance appraisal;
- 6 monthly monitoring of the internal audit activity to the Audit Committee; and
- Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the Sections Audit Charter and also in the PSIAS.

External assessments include:

- A 5 yearly independent assessment of compliance to the PSIAS;
- Annual review of the council's Annual Governance Statement as part of the Financial Accounts audit;
- Regular attendance at the Audit Committee with the opportunity to meet in private with the Committee; and
- External Auditors and Audit Committee Members reviewing and challenging internal audit reports.

			<p>All aspects of the programme are routinely monitored. The review is conducted by the Audit and Risk Manager (CAE) and scrutinised by the Head of Governance and Business Support and the Corporate Director Resources (S151 Officer).</p> <p><b>Action</b>  <b>The QAIP needs to be updated with the actions resulting from this self-assessment.</b></p>
<p><b>1310 Requirements of the Quality Assurance and Improvement Programme</b></p>			
<p><i>Does the QAIP include both internal and external assessments?</i></p>			
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>A self-assessment is performed annually. In addition, an external review of the effectiveness of the internal audit function is carried out every 5 years, in accordance with the requirements of the PISIAS. Wyre's last review took place in March 2018. Only three minor areas of recommendation were identified. The next peer review will take place in February 2023.</p> <p>The External Auditor will also review the work of the internal audit service as part of the work they complete in respect of the ISA 260 – Report to those charged with Governance.</p>

<b>1311 Internal Assessments</b>			
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?			A restructure took place in June 2021 which resulted in the appointment of a new Audit, Risk and Performance Lead. This addition to the Audit and Risk Management Team has helped the Audit and Risk Manager (CAE) to ensure that audit assignments can be allocated by to the appropriate auditor with the relevant skills, experience and competencies.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Do internal assessments include ongoing monitoring of the internal audit activity, such as:			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.  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.
■ Routine quality monitoring processes?			
■ Periodic assessments for evaluating conformance with the PSIAS?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	



Questions to consider			Evidence / comments
<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> <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 Audit, Risk and Performance Lead 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>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>Feedback on internal audit reviews have not been completed during 2021/22. The software (Limehouse) used to facilitate the feedback process is no longer in use. A new process has been agreed for the audit year 2022/23.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<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 Audit and Risk Manager (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	



Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?			Previous peer reviews used the checklist recommended in CIPFA's Code of Practice. The assessment also included a review of the annual internal audit report which documents the achievement of the audit plan and its wider aims and objectives documented in the Audit Charter.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>1312 External Assessments</b>			
Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?  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.			The last external assessment was completed in March 2018 and the next one is scheduled for February 2023.  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.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
			The annual self-assessment is carried out by the Audit and Risk Manager (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.
			The Audit Committee agree that an external self-assessment will be carried out by the Audit and Risk Manager (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.

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

<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><i>1320 Reporting on the Quality Assurance and Improvement Programme</i></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>	
CONFORMS ✓	PARTIAL	NOT CONFORMING
<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?			See 1300 – Quality Assurance and Improvement Programme.
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>			
<p>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:</p> <ul style="list-style-type: none"> <li>■ providing objective and relevant assurance</li> <li>■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.</li> </ul>			
<b>2010 Planning</b>			
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>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 Audit and Risk Manager (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</p>
Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?			
Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:			
■ How the internal audit service will be delivered?			
■ How the internal audit service will be developed in accordance with the internal audit charter?			
■ How the internal audit service links to organisational objectives and priorities?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			plan which lists the key objectives and actions for the organisation as a whole.
--	--	--	--



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 Audit Brief document for each audit will identify and address individual risks, be it locally or nationally.</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 2022/23 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	

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?			The quarterly plan will be reviewed on a regular basis allowing any new risks or council priorities (new systems etc.) to be addressed accordingly.
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 2021/22.</p> <p>Both the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead have 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 Audit and Risk Manager (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 at 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>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<p>In regards to audit report opinions, the overall opinions are based on the findings of each audit, which are graded using a set framework. Auditees can challenge the audit opinion and provide reasons in support of why they think the opinion should be changed. This will be done at the draft stage of the reporting process.</p>
<p>Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?</p> <p>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>			
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?			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.
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?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	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.
Has the CAE communicated the impact of any resource limitations to senior management and the board?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	Resource limitations would be reported to senior management and the Audit Committee where appropriate as part of the update report.
<b>2030 Resource Management</b>			
Does the risk-based plan explain how internal audit's resource requirements have been assessed?			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. Assurance mapping, risk registers and the council's business plan helps streamline audit planning and focus audit priorities.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?			The Lead Auditor will agree timings with each Head of Service prior to the start of each review. This will be documented in the Audit Brief.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?</p> <p>This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.</p>			<p>There is an opportunity for the Audit and Risk Manager (CAE) to comment on sufficiency of resources where appropriate; although it is considered that the resource available is now sufficient to deliver the audit plan given that a restructure took place in June 2021 and a new Audit, Risk and Performance Lead was appointed, increasing the size of the Audit and Risk Management Team. If further resources were required an external audit provider e.g. Lancashire County Council / MIIA would be utilised.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<b>2040 Policies and Procedures</b>			
<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 standard reporting format have 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. Both the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead have been issued with the PSIAS and CIPFA's Application Note.</p> <p>Internal audit policies and procedures are reviewed annually to ensure conformity to PSIAS.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<b>2050 Coordination</b>		
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?		
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.		
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

An annual assurance mapping exercise is carried out to identify other streams of assurance such as external inspections, that can be considered, e.g. RIPA, Taxi Licensing, Local Government Ombudsman reports and identify any remaining gaps,

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-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.

Pre-pandemic, regular meetings were 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. Now that the pandemic activity is reducing, these meetings are being resurrected with the next one in June 2022.

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 Audit and Risk Manager (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>

<p><b>2070 External Service Provider and Organisational Responsibility for Internal Auditing</b></p>			
<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>A staff 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 conducted in 2021 resulting in an action plan being produced which is currently being implemented.</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>
CONFORMS ✓	PARTIAL	NOT CONFORMING	



			<p>The Audit, Risk and Performance Lead monitors the performance of key projects within the business plan and reports quarterly to the Overview and Scrutiny Committee.</p> <p>Regular risk workshops take place with Heads of Service and they have access to their risk registers on the Grace Risk Management System.</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 Full 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>
--	--	--	--

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 staff 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. An equivalent survey for members was conducted in 2021 resulting in an action plan being produced which is currently being implemented.</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>Whilst the CAE does not sit on the Information Governance Group, she would be invited if deemed necessary. This is to ensure she remains independent from any policy changes / approval etc. In addition, the CAE also inputs to The Chief Internal Auditor and Information Governance / Data Protection update which is presented to CMT on a quarterly basis.</p> <p>The CAE and the Audit, Risk and Performance Lead facilitate <u>quarterly ICT risk workshops</u>. Any information technology / governance risks that would prevent the organisation achieving the business plan would be highlighted at these workshops.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p><b>2120 Risk Management</b></p>			
<p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <ul style="list-style-type: none"> <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 / assurance mapping declarations 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>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</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 annual and biennial exercises.</p> <p>The Audit and Risk Manager (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>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</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>			There are no such engagements undertaken presently.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p>Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?</p>			<p>The Audit and Risk Management Section only facilitate the process and hold and maintain the risk registers.</p> <p>Risk owners are assigned for each risk identified and they are responsible for ensuring that risk is appropriately managed and considered throughout the year. The Grace Risk Management system provides email prompts to risk and action owners when risks / action plans are due for review.</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 systems or controls. Position statements may be used when no major changes have occurred. Key financial systems control matrices have been introduced for 2022/23 to assist with the identification of areas requiring improved control / processes.</p> <p>Strategic objectives / projects are currently managed at CMT/Head of Service level.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	<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>

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>An Audit Brief is developed and agreed for each audit review.</p> <p>Each of these criteria are documented in the Audit Brief.</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 Audit Brief 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
<p><b>2210 Engagement Objectives</b></p>	
<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 audit brief.</p> <p>This is completed whilst formulating the audit brief. 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 audit brief document identifies the core risk and the objective.</p> <p>The preliminary risk assessment will ensure each of these are covered.</p>
<p>CONFORMS ✓    PARTIAL    NOT CONFORMING</p>	
<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>Audit Briefs are agreed with the Service Manager (sponsor) prior to the start of the work. A control matrix (RACE) is then used to evidence that all risks identified have been tested and that adequate controls are in place. This is attached to the final report issued which is issued to the relevant Corporate Director, Service Manager and the Audit Committee.</p>



<p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p> <p>If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?</p>			<p>There are no instances where the criteria have been deemed inadequate.</p> <p>The 'value for money' aspect of any service / control is considered during each review.</p> <p>If there has been any work on VFM this will be documented within the report.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?</p> <p>Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?</p>			<p>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 Audit and Risk Manager (CAE) as it is likely to have resource implications.</p> <p>The Audit Brief 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 Audit and Risk Manager (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?

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

The control and testing summary 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 Audit, Risk and Performance Lead will agree the work programme for each quarter with the Audit and Risk Manager (CAE).

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

CONFORMS ✓

PARTIAL

NOT CONFORMING

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 Audit and Risk Manager (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 Audit, Risk and Performance Lead 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="76 849 327 900">CONFORMS ✓</td> <td data-bbox="331 849 607 900">PARTIAL</td> <td data-bbox="611 849 1050 900">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 Audit and Risk Manager (CAE) for each audit performed by the Audit, Risk and Performance Lead.			
<table border="1"> <tr> <td data-bbox="76 1046 327 1098">CONFORMS ✓</td> <td data-bbox="331 1046 607 1098">PARTIAL</td> <td data-bbox="611 1046 1050 1098">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> <li>■ Conflicts of interest?</li> </ul>	<p>The key risks around these areas are identified at the start of the audit.</p> <p>The Audit, Risk and Performance Lead 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>			
<table border="1"> <tr> <td data-bbox="76 1487 327 1538">CONFORMS ✓</td> <td data-bbox="331 1487 607 1538">PARTIAL</td> <td data-bbox="611 1487 1050 1538">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
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 Audit and Risk Manager (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 the majority of audit 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 Audit and Risk Manager (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>			
Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?			<p>All documents are reviewed by the Audit and Risk Manager (CAE). Review notes are provided to correct any work that does not meet quality standards.</p> <p>Closure meetings are also used to agree the factual accuracy of the report and findings.</p> <p>Feedback was not sought on internal audit reviews carried out in 2021/22 as the contract for software (Limehouse) used to facilitate the feedback process came to an end. A new process has since been agreed for the audit year 2022/23.</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>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<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?			<p>The closure meeting is designed to identify and resolve any significant errors or omissions, however the report would be re-issued where necessary.</p>
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?			<p>Reported in each audit report and as part of the Annual Internal Audit Report.</p>
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>	<p>No specific engagements have been impacted on by non-compliance with the PSIAS.</p>		
<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
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>	<p>Reporting arrangements are documented within the Audit Charter.</p>		
<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
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Has the CAE communicated engagement results to all appropriate parties?</p>	<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.</p>		
<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
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>	<p>Engagement results have not been released to parties outside the organisation other than the council's External Auditors.</p>		
<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
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p>Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?</p>	<p>There are no such engagements undertaken presently.</p>		
<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
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>
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 is 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	

Does the annual report incorporate the following:

- The annual internal audit opinion?
- A summary of the work that supports the opinion?
- A disclosure of any qualifications to the opinion?
- The reasons for any qualifications to the opinion?
- A disclosure of any impairments or restriction in scope?
- A comparison or work actually carried out with the work planned?
- A statement on conformance with the PSIAS?
- The results of the QAIP?
- Progress against any improvement plans resulting from the QAIP?
- A summary of the performance of the internal audit activity against its performance measures and targets?
- Any other issues that the CAE judges is relevant to the preparation of the governance statement?

See Annual report for conformance.

CONFORMS ✓

PARTIAL

NOT CONFORMING

Questions to consider	Evidence / comments	
6.6 2500 Monitoring Progress		
<p>The questions in this section seek to confirm that a system is in place to monitor effectiveness of audit communications results to management, including appropriate follow up when no action is taken by management.</p> <p>Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?</p>		
<p>Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?</p> <p>Do the results of monitoring management actions inform the risk- based planning of future audit work?</p>	<p>Starting from the 1 April 2021 all level 1 and 2 recommendations are followed up within three 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>	
CONFORMS ✓	PARTIAL	NOT CONFORMING
Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	There are no such engagements undertaken presently.	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A

6.7 2600 Communicating the Acceptance of Risks		
<p>This section considers the arrangements which apply if the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation.</p> <p>Situations of this kind are expected to be rare. PSIAS 2600 sets out communication requirements for the CAE. It is not the responsibility of the CAE to resolve the risk.</p>		
<p>If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?</p>		<p>The Audit and Risk Manager (CAE) has not concluded this to date but would refer the matter to the Corporate Director Resources (Section 151 Officer).</p>
<p>If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	



This page is intentionally left blank





Report of:	Meeting	Date	Item no.
Corporate Director Resources (S.151 Officer)	Audit Committee	14 June 2022	

<b>INTERNAL AUDIT ANNUAL REPORT 2021/22</b>
---

**1. Purpose of report**

1.1 To consider the Internal Audit Annual Report for 2021/22 (1 April 2021 – 31 March 2022) 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, the strategic risk register at Appendix 3 and ICT risk register at Appendix 4.

**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 (Audit and Risk Manager) 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 and 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 2021/22 enabling the Audit and Risk Manager 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 and ICT risk registers are attached at Appendices 1, 2, 3 and 4.

<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
Karen McLellan	01253 887586	<a href="mailto:karen.mclellan@wyre.gov.uk">karen.mclellan@wyre.gov.uk</a>	06.06.2022

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

**List of appendices**

Appendix 1 – Internal Audit Annual Report 2021/22

Appendix 2 – Risk management progress report; strategic, operational and ICT risks

Appendix 3 – Strategic risk register

Appendix 4 – ICT risk register

Appendix 5 – Quality Assurance Improvement Plan (QAIP)

### INTERNAL AUDIT ANNUAL REPORT 2021/22

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 circulated to the Committee on completion and an adobe version is added to SharePoint. 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 our insurer, Zurich Municipal. The newly appointed Insurance and Business Continuity Officer has recently been invited to participate in the North West Insurance Officer Group with other Local Authorities in Lancashire.

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 which is reviewed and approved by the Audit Committee annually.

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, verbal feedback received during 2021/22 indicates that the work of internal audit continues to be highly regarded across the organisation. An electronic feedback system will be introduced during 2022/23.

Given the pandemic and the need for Internal Audit to be flexible and responsive to emerging risks across the organisation, a decision was taken to move to quarterly audit planning instead of the production of an annual plan. A plan containing audit priorities was populated to ensure key risks identified during strategic and operational risk workshops and the assurance mapping exercise were addressed. The plan was separated into two main sections, the first section detailed audit work needed to take priority in quarter one (April - June 2021). The second section documented potential forthcoming priorities for quarter's two to four. The plan is reviewed on a quarterly basis following examination of risk registers and any new audits added according to risk.

Following the appointment of a full time Auditor in June 2021 and the extensive external assurance mapping work carried out, it was felt that there was no requirement to utilise the best value partnership in place with Lancashire County Council during 2021/22. Therefore all the audit work that forms the annual opinion has been completed by the

in-house team. 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.

## Audit Work Performed in 2021/22

Mid-way through 2021/22 a decision was taken to change the previously used audit opinions to be in line with other Local Authorities. Therefore some of the audit opinions (follow-up work from 2021/22) in the table below reflect the previous definitions. The priority rankings for audit actions have been left the same. Summarised below are the reviews that have taken place during 2021/22.

### AUDIT OPINION DEFINITIONS (April – November 2021)

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.

### AUDIT OPINION DEFINITIONS (November 2021- March 2022)

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Minimal / No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
<b>2020/21 Audit Work</b>								
<b>Building Maintenance (2<sup>nd</sup> follow-up)</b>	<b>Final Report Issued January 2022</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>Good</b>	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 was completed in February 2021 and of the 16 findings originally reported, 9 of these required further attention, therefore the overall opinion remained at 'fair'. As a result, a further follow-up was completed as part of the 2021/22 audit plan. Of the 9 outstanding findings, there were still 3 that required further attention, therefore the opinion remained as 'fair'. A second follow-up was completed in January 2022 and of the 3 recommendations outstanding work had progressed in relation to asbestos, however further work was still required in relation to legionella and the statutory maintenance schedule. The overall opinion was changed to 'good' therefore, no further follow-ups have been scheduled. However the new risk management system (GRACE) will monitor the implementation of the remaining outstanding actions.
<b>Inspection Regime – Site Inspections (follow-up)</b>	<b>Final Report Issued November 2021</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>Fair</b>	The original review of Site Inspections was completed in October 2020 as part of the 2019/20 audit plan and given an overall opinion of 'fair'. A follow-up was completed as part of the 2021/22 audit plan and of the 7 findings originally reported, these all still remained outstanding; namely;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> <li>• A documented inspection policy / procedure or staff guidance manual has not been compiled for by all departments;</li> <li>• Formal training on the completion of inspections has not been given to all inspection staff;</li> <li>• Inspections are not carried out in accordance with the agreed frequency in all instances;</li> <li>• The recording of the actions taken to repair any defects identified is not completed and retained by all departments;</li> <li>• Accurate inspection records of the areas inspected and the defects identified are not completed in all instances;</li> <li>• Formal retention periods for completed inspection records have not been agreed for all departments; and</li> <li>• Monitoring of inspection processes and feedback to staff is not routinely undertaken.</li> </ul> <p>Owing to the number of outstanding recommendations, the overall opinion remained as 'fair'. The second follow-up has been delayed due to the appointment of the new Head of Service. It is hoped this will be scheduled for September 2022.</p>



TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
IR35 (2 <sup>nd</sup> follow-up)	Final Report Issued November 2021	0	3	0	0	0	Good	<p>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 further follow-up was completed in February 2021 and of the 8 findings originally reported, 5 of these still required further attention. The overall opinion remained as 'fair'. As a result of this, a second follow up was completed as part of the 2021/22 audit plan. This identified that of the 5 outstanding findings, 3 still required further attention to fully implement these. In view of this and the taking onto account the priority ratings, the overall opinion was increased to 'good'. The recommendations still outstanding;</p> <ul style="list-style-type: none"> <li>The implementation of the quarterly monitoring process to evaluate continued compliance with IR35 has been delayed owing to staffing vacancies and other key work pressures within the finance team. This task has now been allocated to the HR team. The first review of agency and consultancy expenditure will look at the period April to June 2021. The information obtained from these checks will inform the next quarter's reviews and when complete only new arrangements will be investigated going forward.</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> <li>The HMRC employment assessments attached to a new creditor reference form will continue to be retained by the Finance team and attached to the creditor profile. Any additional evidence obtained by the HR team when carrying out the monitoring process, will be retained by them in a central file.</li> <li>Evidence of the assessment of employment status for consultants or individuals engaged to provide services to the council through an agency will be requested by the HR team during the monitoring process and retained by them.</li> </ul> <p>No further follow-ups have been scheduled, however the new risk management system (GRACE) will monitor the implementation of the remaining outstanding actions.</p>
<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>Reasonable Assurance</b>	The Audit and Risk Manager still continues to attend the monthly beach management board meetings to provide advice and support in respect of internal control, risk management and governance procedures. Whilst a report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable assurance' has been given in relation to this project to date. Substantial assurance has not been given, due to

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>delays in the production of licences issued by the Marine Management Organisation (MMO) which are required before work can commence by Wyre’s contractors. The scheme is expected to complete in July 2027 (at which time the funding should have been utilised) and there are concerns that these delays will impact the completion date and therefore the project’s objectives will not be met.</p> <p>The beach management scheme remains on the audit plan priorities for 2022/23.</p>
<b>Project Neptune</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>Reasonable Assurance</b>	<p>The Audit, Risk and Performance Lead continues to regularly attend the monthly Project Neptune project meetings to provide advice and support in respect of internal control, risk management and governance procedures. Whilst a report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 ‘reasonable assurance’ has been given in relation to this project. Whilst there are a number of operational issues outstanding these have been documented in the risk register and a number of options are available if such risks materialise.</p> <p>Project Neptune remains on the audit plan priorities for 2022/23.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
<b>NFI Covid-19 grants Post assurance testing</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>Reasonable Assurance</b>	<p>Following the introduction of the Covid-19 business grants in April 2020, pre and post assurance work required by the Department for Business, Energy and Industrial Strategy (BEIS) has been completed and evidence submitted.</p> <p>All councils were requested to upload three datasets from the Small Business, Retail Hospitality and Leisure and Local Discretionary Grants from the first lockdown to the National Fraud Initiative to enable data matching within the authority and other organisations. The matches have now been received, reviewed and the results of these matches have been reported in the National Fraud Initiative report that is included later in the agenda.</p> <p>Whilst an overall report has not been produced for this post assurance work, for the purpose of the overall opinion for 2021/22 'reasonable assurance' has been given owing to strong controls which were implemented from the outset which resulted in a low number of NFI matches in these areas.</p>
<b>Matrix Agency Staff contract</b>	<b>Final Report Issued November 2021</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>Limited Assurance</b>	The overall opinion of the auditor is that the controls in place to manage the Matrix agency staff contract are 'limited'. This means that significant gaps, weaknesses or areas of non-compliance were identified. Improvement is required to the

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• A valid contract for the current service is not in place and expired in 2018;</li> <li>• It cannot be confirmed if the current contract is fit for purpose of provides value for money;</li> <li>• Awareness of the Matrix contract is poor which has resulted in low usage;</li> <li>• HR are not always consulted when procuring agency staff outside of the Matrix contract; and</li> <li>• No active monitoring is carried out in relation to the compliance of terms and conditions / performance of the contract</li> </ul> <p>A follow-up review is currently in the process of being completed.</p>
<b>Council Resilience</b>	<b>Final Report Issued March 2022</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>Reasonable Assurance</b>	The overall opinion of the auditor is that the controls in place to manage Council Resilience are 'reasonable'. This means that there is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>which may put at risk the achievement of objectives in the area audited. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• A number of generic and specific emergency plans were found to be in need of review;</li> <li>• Whilst there had been a recent 'live test' this was not documented and there is no programme of testing in place;</li> <li>• At the time of review, the recent Covid pandemic debrief was still outstanding;</li> <li>• A number of key officers have still to attend the Emergency Planning College for the required training;</li> <li>• The Business Continuity Policy and Strategy has not been reviewed since 2017;</li> <li>• A number of specific service business continuity plans had not been updated since 2017;</li> <li>• The council has not finalised its ICT disaster or Cyber Security recovery plan and procedures; and</li> <li>• Hard copies of the most recently updated emergency and business continuity plans were not held off site in all instances.</li> </ul> <p>No follow-up review is required, however the new risk management system GRACE</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								will monitor the implementation of the recommendations.
<b>Public Sector Geospatial Agreement (PSGA)</b>	<b>Final Report Issued January 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>Reasonable Assurance</b>	<p>The overall opinion of the auditor is that the controls in place to manage the PSGA are 'reasonable'. This means that there is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Only one area was identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>Officers using PSGA do not always list the copyright and OS licence number on every document as per the terms and conditions of the licence agreement.</li> </ul> <p>No follow-up review is required as the only recommendation made was 'for consideration' only.</p>
<b>VAT (follow-up)</b>	<b>Position Statement Issued to Service Manager</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>Substantial Assurance</b>	The last audit review of VAT was carried out by Lancashire County Council in 2017/18. Full assurance was given and no recommendations were made. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to capture any system or procedural changes that

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>may have introduced any additional risks. Following this, two observations were made in relation to compliance checks and partial compliance. A further follow-up was completed in February 2022 and both recommendations were found to have been implemented.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'substantial assurance' has been given.</p>
Expenses	Position Statement Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>The last audit review of expenses was undertaken by Mazars in 2017/18. An adequate assurance opinion was given and only two minor recommendations were made. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to ensure the two recommendations previously made had been addressed and that there had not been any system or procedural changes that may have introduced any additional risks.</p> <p>A number of other observations were made at the time in relation to the review of travel and subsistence policies, the inconsistent use of log books to record expenses and obtaining evidence of insurance for officers who claim mileage expenses.</p>



TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>A further follow-up was completed in February 2022 and the majority of recommendations had been completed, however the issues around the recording of expenses in log-books was still outstanding.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable assurance' has been given owing to the outstanding recommendations.</p> <p>No follow-up review is required, however the new risk management system (GRACE) will monitor the implementation of the recommendations.</p>
Debtors	Position Statement Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>The last audit review of Debtors was undertaken by Lancashire County Council in 2017/18. A substantial assurance opinion was given and two recommendations were made overall. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to ensure the two recommendations previously made had been addressed and that there had not been any system or procedural changes that may have introduced any additional risks.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>A further follow-up review was completed in February 2022 and of the two recommendations made, one still remains outstanding in relation to the monitoring of council sundry debtors. In addition a further three recommendations were made.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable' assurance' has been given owing to the outstanding recommendations.</p> <p>No follow-up review is required, however the new risk management system (GRACE) will be monitor the implementation of the recommendations.</p>
<b>Creditors</b>	<b>Position Statement Issued to Service Manager</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>Reasonable Assurance</b>	<p>The last audit review of Creditors was undertaken by Lancashire County Council in 2017/18. A 'substantial' assurance opinion was given and three recommendations were made overall. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to ensure the recommendations previously made had been addressed and that there had not been any system or procedural changes that may have introduced any additional risks.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>A further follow-up review was completed in February 2022 and two of the three recommendations were still outstanding relating to the monitoring of retrospective purchase orders and additional controls relating to suppliers' bank accounts.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable' assurance has been given owing to the outstanding recommendations.</p> <p>No follow-up is required, however the new risk management system (GRACE) will monitor the implementation of the outstanding recommendations.</p>
<b>Budgetary Control</b>	<b>Position Statement Issued to Service Manager</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>Substantial Assurance</b>	<p>The last audit review of Budgetary Control was undertaken by Lancashire County Council in 2017/18. A 'substantial' assurance opinion was given with no recommendations made. A position statement was documented in April 2021 and again no recommendations were made.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'substantial' assurance has been given.</p>
<b>Cash receipting (front desk procedures)</b>	<b>Position Statement</b>						<b>Substantial Assurance</b>	<p>The last audit review of cash receipting for the front desk procedures was undertaken</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
	<b>Issued to Service Manager</b>							<p>by Lancashire County Council in 2017/18. 'full assurance' was given and no recommendations were made. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to ensure that there had not been any system or procedural changes that may have introduced any additional risks. A minor observation was made in relation to the panic alarms placed in the interview rooms.</p> <p>Owing to a number of changes made following the closure of the reception desk during the recent pandemic, a further review was carried out in September 2021 to follow up the previous issue raised regarding the panic alarms and also obtain assurances around any new procedures recently implemented. Only one area was identified that required strengthening in relation to carrying out monthly reconciliations on reversal of transactions on Civica.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'substantial' assurance has been given.</p> <p>No follow-up review is required, however the new risk management system</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								(GRACE) will be monitor the implementation of the recommendations.
<b>Fleetwood and Poulton Market (inc: cash receipting)</b>	<b>Draft Report In progress</b>						<b>Reasonable Assurance</b>	<p>The overall object of the audit is to review the controls in place around the management of Fleetwood and Poulton Markets to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>Whilst this report is still in draft, the auditor has reported that subject to agreement with the auditee, ‘reasonable assurance’ will be provided.</p>
<b>Data Protection Policy and process review</b>	<b>Draft Report In progress</b>						<b>Reasonable Assurance</b>	<p>The overall object of the audit is to review the controls in place around the council’s compliance to data protection regulations (namely the UK GDPR) to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>Whilst this report is still in draft, the auditor has reported that subject to agreement with the auditee, ‘reasonable assurance’ will be provided.</p>
<b>Market House Studios</b>	<b>Draft Report Issued</b>						<b>Reasonable Assurance</b>	The overall object of the audit is to review the controls in place around the management of the Market House Studios to identify any areas of potential weakness and / or risk and provide an

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>overall opinion whether the controls in place are managed adequately and effectively.</p> <p>Whilst this report is still in draft, the auditor has reported that subject to agreement with the auditee, 'reasonable assurance' will be provided.</p>
<b>Elections Accounts</b>	<b>Fieldwork still in progress</b>							<p>The overall object of the audit is to review the controls in place around the council's processes for administering the election account to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>It is hoped this piece of work will be completed in June 2022.</p>
<b>Building Maintenance – new reactive repairs framework</b>	<b>Fieldwork still in progress</b>							<p>The overall object of the audit is to review the controls in place around the council's reactive repairs framework in the Building Maintenance Team to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>It is hoped this piece of work will be completed in June 2022.</p>

## **2021/22 Audit work not completed**

Civica Pay and Citizen Access Portal - Both these pieces of work have been included in the audit plan since 2019/20. However owing to a number of delays with the implementation of these systems, no detailed audit work could be completed during this time. Position statements were completed in February 2021 and it was hoped that these areas would be picked up again as part of the 2020/21 audit plan. However owing to allocating resources into developing the new risk management system (GRACE) and having involvement in a number of internal investigations, no further work has been completed. Both of these pieces of work will be added to the audit plan priorities for 2022/23.

Marine Hall - Owing to the pandemic, the Marine Hall remained closed or had restricted opening hours for the majority of 2021/22. The Theatre has now reopened and events are starting to build up again. The Section 151 Officer is keen for Internal Audit to keep this service under continual review and therefore it will be added to the audit plan priorities for 2022/23.

## **Other audit work undertaken during 2021/22**

### **Key Financial Systems Risk Matrices**

On the 14 October 2021, a risk workshop was held with the Finance Team during which a number of key operational risks were identified and placed on the council's risk management system (GRACE). Action plans were compiled to mitigate the risks identified and regular monitoring of these operational risks takes place in accordance with the council's Risk Management Policy and Procedure.

During 2021/22 there was a further turnover in staff within the Finance Team, resulting in a loss of knowledge and experience in systems in particular and leaving a number of posts vacant for part of the year. Whilst a re-structure has now taken place, with the majority of posts filled, there is some concern that new starters have not had the required training and guidance given that some processes had not been documented by the experienced staff prior to their departure, resulting in inexperienced staff training new starters.

In addition, across a small number of teams, a number of unrelated internal control incidents have occurred during 2021/22 that have required internal audit involvement.

In order to provide the Section 151 Officer and the Head of Finance with the assurance required in relation to all of the council key financial systems, the Internal Audit Team have developed a suite of key financial system matrices. These will be used to document all controls in place for each system / process and in doing so will assist with identifying any areas requiring improvement. Work will commence in July 2022 to populate the matrices. An update will be provided to the

Audit Committee in November 2022 as part of the regular audit and risk management update.

### **Ethical Governance Survey**

In September 2021, Elected Members were asked to participate in an Ethical Governance Survey to test their knowledge and understanding of the council's key policies and procedures and expected behaviours around ethical governance. An action plan was formulated and has been circulated to the Corporate Management Team and the Leader. Democratic Services will ensure all the actions are implemented, with the new Councillor Portal, which went live on the 16 May 2022 addressing the majority of the weaknesses identified

### **Hybrid Working – Spot Checks**

Following the introduction of hybrid working in 2021 the Corporate Director Resources asked the Internal Audit Team to carry out a number of 'spot checks' to ensure that staff were adhering to the 'good practice principles' outlined at the staffing sessions in relation to outlook calendars, out of office messages and phone diversions. This piece of work will continue, with any issues also being identified as part of internal audit process. Reminders of the good practice principles will continue to be re-iterated in the Core Brief; the last time was November 2021. Frequently Asked Questions have also been produced by Human Resources and are available on SharePoint.

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

Since the last NFI update was presented to the Audit Committee in November 2021, little progress has been made to investigate the matches resulting from the 2020/21 council tax single person discount (SPD) data matching exercise. This is owing to members of the Compliance Team still being heavily involved in processing the remaining Covid-19 business grant payments, energy rebates and other competing work pressures. In an attempt to clear the 2020/21 matches before the results of the next data exercise are uploaded (January 2023) training has been arranged for the Corporate Apprentices so that they can assist with these investigations. It is hoped that with this additional resource, all data matches can be investigated and cleared by the end of the year, which will hopefully see a reduction in matches for future years as large number of the matches are historic and typically repeated year-on-year owing to not being cleared.

### **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 being 27 April 2022. During 2020/21 the following updates / issues were reported;



- Whilst a final report has not yet been issued in relation to the data protection audit being completed by the Internal Audit Team, the Auditor has verbally reported that following the completion of the testing completed, 'reasonable assurances' can be given that generally there are sound controls in place and that whilst some areas have been identified that require strengthening, the auditor is confident that the majority of the issues identified can be addressed relatively quickly. However, a larger piece of work is needed by service managers to bring the information asset registers up to date. It is expected that this report will be finalised in June 2022. The auditor is happy for the Audit and Risk Manager to use this assurance in her annual opinion and for the Head of Governance and Business Support to use as a reliable source of assurance in the Governance Statement.
- On the 4 October 2022, the council moved over to a new Customer Experience Management system (CXM) system for the processing of Freedom of Information requests (FOI) and Environmental Information Regulations requests (EIR). Training manuals were provided to all staff and one-to-one training sessions were offered if required. Overall, staff have transitioned well over to the new system with most teething issues now resolved. FOI/EIR's continued to be reported to CMT during 2021/22 on a quarterly basis, with any delays or high numbers being investigated. On the 24 February 2021, FOI/EIR processers were invited to attend refresher training which an external provider (Tim Turner) delivered. In addition, the same provider also delivered Subject Access Request (SAR) training to a smaller group of officers responsible for processing SAR's. Following this training, SAR guidance has now been drafted and subject to Audit Committee approval in November 2022, this will be made available to all staff on SharePoint.
- Whilst the council's e-learning platform 'Learning Pool' went live in September 2021 and is now being successfully used for a number of health and safety courses, it is still not being utilised for the mandatory induction process as originally intended. This is owing to the limited resources available within Human Resources to develop the system. A new target date has been agreed for the 1 September 2022. Included within the induction section will be two mandatory modules; data protection and cyber security. These two modules will also be used to refresh all existing staff in these two important areas.
- Whilst the council has not had any major cyber incidents during 2021/22 cyber security continues to be a concern. The council is being as pro-active as possible to protect the council and its data, however cyber criminals are getting smarter and it's a constant up-hill battle to try and keep the council's security measures up to date. The key risks continue to be monitored through the risk management system (GRACE) and are reviewed on a quarterly basis by the Corporate Director Resources, Head of Service, ICT

Service Manager, Audit and Risk Manager and the Audit, Risk and Performance Lead. For some time, the council has been liaising with a number of external third parties with the view to procuring assistance to ensure the council has the necessary plans in place in the event of a disaster or a cyber-attack. Whilst this is being explored, the Head of Contact Centre and the ICT Team continue to work closely with the Corporate Director of Resources for some immediate resolutions, which to date have included; completing a detailed risk assessment to identify the council's key cyber risks, identifying more data centre's for the storage of back-up tapes, liaising with other Local Authorities for guidance and assistance and drafting a generic cyber security recovery plan.

- Following the pandemic, the Information Governance Group is now back to holding regular face-to-face meetings every 3 months. The minutes/actions of each meeting are reporting to CMT. Prior to each meeting an agenda is set and circulated. The membership, scope and objectives of the group have been outlined in a Terms of Reference, which will be reviewed annually.
- Seven data incidents were reported to the Data Protection Officer (DPO) during 2021-22 and logged on the council's incident register. Either the relevant service team or the DPO or Deputy investigated each incident and the necessary improvements were made to processes and procedures to prevent similar occurrences. Following the necessary investigations, the DPO did not feel that any of the incidents fell within the scope of being 'reportable' to the Information Commissioner. Incidents continue to be reported to CMT on a quarterly basis.
- Whilst the council has not reported any data incidents to the Information Commissioner in 2021/2022, the council has received an advisory notice in relation to a subject access request that was originally dealt with by District Enforcement. On review of this advisory notice, the DPO feels that a number of inaccurate statements have been made by the Information Commissioner that need to be addressed. It is hoped following a response by the DPO, the advisory notice will be withdrawn.
- During the year there have been a few concerns raised that CCTV systems are being installed / modified across the borough without the involvement of the Partnerships Officer (CCTV) despite training being carried out with the relevant officers. The most recent installation being at Rossall Point. A reminder was placed in Core Brief about the need to ensure authorisation is obtained before any new installations / modifications of CCTV are carried out and a reminder was given to HOS at their meeting on the 6 June 2022, which they were instructed to pass down to their Service Managers. Further consideration will be given to updating the Scheme of Delegation to include the requisite that only the Partnerships Officer can authorise the installations / modification of CCTV systems.

- Elected Members are Data Controllers in their own rights, so it is important that the council supports them to ensure they are complying with data protection legislation, particularly where they are processing council data. Whilst all Elected Members received training on the new GDPR in 2018, no further refresher training has taken place since this time. Given there are no plans at present to roll out the council e-learning package (Learning Pool) to Elected Members, arrangements need to be made to ensure the newly Elected Members in May 2023 receive the necessary training in respect of their responsibilities under the new UK GDPR. This has been added to the AGS action plan for 2021/22.

Other than the concerns surrounding cyber security detailed above and the larger piece of work needed on the council's information asset registers, there are no other significant concerns in relation to the security and use of the council's business assets (data). Both of these areas have been added to the council's AGS action plan for 2021/22, where their progress will be monitored by both CMT and the Audit Committee.

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

The council's counter fraud policies (Whistleblowing, Anti-Money Laundering, Gifts, Hospitality and Registering Interests and Anti-Fraud, Corruption and Bribery) designed to prevent and detect fraud across the council have all been recently reviewed and approved by Audit Committee (November). The policies 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 of the council's counter fraud policies. The last staff survey was completed in 2019, with a further exercise being scheduled for 2022/23. Elected Members completed the survey in late 2021. An action has been populated and will be actioned by Democratic Services. The majority of the actions can be addressed following the launch of the new councillor portal.

Two whistleblowing calls were received in 2021/22. The first incident was reported to the Audit Committee in November 2021. Since last reported, this investigation has now concluded. Following an outcome of gross misconduct a disciplinary hearing was held by the Corporate Director of Communities and the officer was issued with a final written warning. They were also informed they were unable to participate in the hybrid-working programme and should work from the office during the two-year period the final written warning remained on their personnel record. The Audit Committee Chairman has been updated with this outcome.

The second whistleblowing call was received on 2 February 2022. Due to the internal complexities of the case and the conflicts of interest regarding a number of officers, a decision was made, after liaising with the councils' external auditors to

appoint an independent external investigator. The investigation has concluded and the member of staff has left the authority.

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 and Business Support to be included on the council's register. Since 1 April 2021, there have been 12 declarations made, which is a significant increase from the two declarations made in 2020/21. This increase could be owing to the return of some normality following the pandemic and the increase in interaction between members of staff and customers, contractors and businesses.

There have been no reports of suspected money laundering during 2021/22.

### **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 Audit and Risk Manager and ratified by the Head of Governance and Business Support and the Corporate Director Resources (Section 151 Officer) in May 2022 identified no significant issues that require reporting in the 2021/22 Annual Governance Statement, however a few minor issues require attention. These will be added to the Internal Audit Quality Assurance Improvement Plan (QAIP). See below for further details.

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 Plan (QAIP)**

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

assessments. The QAIP, which was last updated following the completion of the internal audit self-assessment, is attached at Appendix 5 for information.

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 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 PSIAS validation in April 2018, full compliance with the standards was reported with only minor issues identified that required consideration. Annual self-assessments continue to be completed by the Audit and Risk Manager and ratified by the Head of Governance and Business Support and the Director of Resources, with the last annual self-assessment being completed in May / June 2022. Following this last assessment only two minor issues were identified as requiring attention, namely:

1. The Quality Assurance Improvement Plan (QAIP) had not been updated since 2019/20. However, it should be noted that the last two self-

assessments (2019-20 and 2020-21) did not identify any areas for improvement and owing to the pandemic, Internal Audit staff had not been identified for any training or continued professional development.

2. Owing to the Audit and Risk Manager directly managing the council's risk management function and the Audit Risk and Performance Lead being heavily involved in the procuring, training, refreshing the policy and rolling out the new risk management framework, arrangements need to be made with a third party to obtain independent assurances of the effectiveness of the risk management process and procedures.

As reported above, there were no significant deviations that required reporting in the 2021/22 Annual Governance Statement.

### **Compliance Team**

Since April 2020, the Compliance team have been heavily involved in the Council's response to the pandemic. In 2021/22 this involved the continued processing and payment of Covid-19 business grants, assisting with the test and trace programme, dealing with the self-isolation support payments as well as administering the household support fund scheme. Having paused debt recovery in 2020/21 (as a result of the pandemic), the team restarted recovery work in 2021/22, issuing over 17,000 reminder notices and 11,500 court summonses for Council Tax and Business Rate arrears.

Looking forward to 2022/23, the Compliance Team will continue to be responsible for the reconciliation and post-payment assurance checks in respect of the various Covid-19 schemes. They will also be heavily involved with the Government's £150 Council Tax Energy Rebate scheme as well as their normal statutory debt recovery responsibilities. There is also an expectation that benefit fraud prevention and detection work will increase as the DWP shift their focus back towards this area.

### **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 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;
- The operation and design of the governance arrangements; and
- External assurance mapping to identify other sources of assurance.

The table below shows the total number of completed pieces of work by Wyre Council during 2021/22 and the overall audit opinion that was given.

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

Audits completed - old opinion definitions

Audit Opinion	Excellent	Good	Fair	Weak	Poor	Total
Number of Audits	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>

Audits completed – new opinion definitions

Audit Opinion	Substantial	Reasonable	Limited	Minimal / No Assurance	Total
Number of Audits	<b>3</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>15</b>

**Annual Opinion**

This is my first annual overall opinion as Chief Internal Auditor and I am pleased to present such a positive report giving the unprecedented challenges of the previous year. The Internal Audit Team have faced a number of further challenges during 2021/22, in particular having to adjust traditional working audit practices to meet the requirements of the new hybrid working arrangements.

Following a restructure in June 2021, a new audit post was created which has allowed considerable progress to be made in strengthening the council’s risk management framework and the external mapping process and also putting in place a more robust process for following-up audit recommendations. All these improvements will have a positive effect on the up and coming Public Sector Internal Audit Standards (PSIAS) peer review in early 2023.

Of the 18 pieces of audit work that have been completed and therefore considered when formulating my overall opinion, it is pleasing to see that only 2 audit reviews were given either a ‘fair’ or ‘limited’ audit opinion. In addition, no individual reports have reported significant areas of concern required to be brought to the attention of the Section 151 Officer or disclosed in the Annual Governance Statement as a

'significant' area of concern. However, it should be noted that there are still two pieces of audit work that have yet to be finalised (election accounts and the building maintenance reactive repairs framework). Should the findings of these reports have a detrimental impact on the opinion already reported, then it will be re-issued prior to the Annual Governance Statement being finalised.

The purpose of my opinion is to contribute to the assurances already available to the council. This opinion does not imply that internal audit have reviewed all risks and assurances relating to the council.

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 face-to-face risk workshops and in the formulation of the Annual Governance Statement. No significant governance issues have been raised that require documenting separately in the Annual Governance Statement for 2021/22. However, when reviewing compliance to the guidance, a number of minor issues have been identified which have been documented in an action plan monitored by Corporate Management Team and reported to the Audit Committee prior to sign off then again in November each year. In addition, it has been identified that internal controls have not been followed in relation to a contract procurement and steps are being taken to resolve the matter.

Following all the work documented within this report, it is therefore my overall opinion that *'reasonable assurances 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)'*. This means that 'generally' there is a sound system of internal control, governance and risk management and that controls are in place and are generally being applied consistently. Whilst some issues, non-compliance or scope for improvement were identified recommendations have been made and if implemented will improve the control environment.



### **RISK MANAGEMENT PROGRESS REPORT**

#### **RISK MANAGEMENT PROGRESS REPORT**

In June 2021, the council purchased a risk management system (GRACE) to fully automate the risk management process and remove Internal Audit from the management and administration of risk allowing them to give a more independent and objective opinion on the effectiveness of the risk management processes across the council. The council's strategic, operational and ICT risks are now populated within GRACE and action plans have been added to assist with the mitigation of the risks identified.

Whilst the Audit Committee do not have access to GRACE, strategic and ICT updates / actions plans will be produced and presented to the Committee twice a year. Operational risks will be reported on an 'exceptions' basis. With the Audit Committee being made aware of any risks not being adequately managed.

The council's risk management and assurance framework continues to be well supported by CMT, the Audit Committee and across the organisation. Following the pandemic, staff have welcomed the return of face-to-face risk workshops and quarterly reviews and they have been well attended with all responsible risk owners participating well. All risk owners have now been trained on the new GRACE system, and so far, it seems to have been well received. The changes to the risk management process was documented in a 'refreshed' Risk Management Policy and Procedure and was approved by Audit Committee in November 2021.

#### **Strategic Risks**

Each year the council's Corporate Management Team (CMT), Head of Governance and Business Support, Audit and Risk Manager and the Audit Committee Chairman attend a strategic risk workshop, to identify and prioritise risks and to produce an action plan. This year the workshop took place on 18 March 2022. At the workshop, significant business risks that may impact upon the council's priorities (the business plan) were identified and assessed, and appropriate control measures were put place. The report and associated action plan is presented to Audit Committee and progress is monitored on a quarterly basis through the CMT. The results of this workshop can be found at Appendix 3. Further quarterly updates are scheduled to place on the 20 July and the 12 October 2022.

## **Operational Risks**

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

Operational risk workshops were held this year following the strategic risk workshop in March, with each service unit identifying new risks that could occur during the year preventing the achievement of individual service plans. Whilst staff who have responsibilities for identified risks are encouraged to review their risks and update their action plans continually throughout the year, a number of prompts were issued to staff during the year to ensure progress was being documented.

Individual operational risk registers have not been provided as part of this report, however as explained above, Audit Committee members will be updated with any risks that are not deemed to being managed appropriately.

## **ICT Risks**

The council's ICT risk register is reviewed quarterly by the Corporate Director Resources, Head of Contact Centre, ICT Services Manager, Audit and Risk Manager and the Audit, Risk and Performance Lead. The last review was completed on 28 April 2022. The amended register following this review is attached at Appendix 4. The next quarterly review is scheduled for 28 July 2022.

# Strategic Full Risk Review Report

Entity: Strategic Risk Register, Risk Assessment open, Current Risk version, Exclude confidential risks, Risk is open

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date	
<b>Strategic Risk Register</b>											
<i>Items in Group: 9</i>											
A cyber attack results in the loss of council systems and the potential loss of data and may significantly impact upon the councils finances, operations, reputation, and regulatory compliance status.	A cyber attack results in the loss of council systems and the potential loss of data and may significantly impact upon the councils finances, operations, reputation, and regulatory compliance status.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources)	9	A reserve exists to meet the cyclical and one-off costs related to ICT and with nearly £1m in this reserve as at 31 March 2021 it is at a robust level to meet additional cyber security costs. The reserve will continue to be monitored and increased as and when balances permit and the need arises.	9	Treat	3	Cyber security training which is now available on Learning Pool needs to be rolled out across the authority and an annual refresher reminder needs to be set.	Lee Brophy (ICT Service Delivery Lead) Jordan Cartmell (ICT Service Desk Lead) Jane Collier (Human Resources Manager and Deputy Monitoring Officer )	30/06/2022	
				All aspects of a cyber risk e.g. incident response and recovery, business continuity, determining priorities, minimising impacts, communication, support are standing items on the IT Steering Group.							
				Tenable Software Solution (first line of defence) has been procured, installed and is working well.							
				Technical disaster recovery plan to be compiled to include a service catalogue.				Lee Brophy (ICT Service Delivery Lead) Jordan Cartmell (ICT Service Desk Lead)			30/09/2022
				The compilation of a draft CSRP using the Local Resilience Forum template is in the process of being completed by the Deputy Emergency Planning Officer and agreed with the Corporate Director of Resources.				Peter Mason (Head of Contact Centre)			01/06/2022
Options for a fully managed DR service are being discussed with an external provider. In the meantime additional options for the storage of back-ups is being explored to strengthen this process through the use of a facility at the Civic Centre (room 163 is available for server storage) and at Copse Road.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources)	01/06/2022									
National Cyber Security Centre (NCSC) good practice questionnaire is in the process of being completed and is to be reviewed at the next ICT Steering Group meeting.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources) Peter Mason (Head of Contact Centre)	28/05/2022									
A high level of ongoing subsidy is required for leisure centres and theatres.	The services operated from the leisure centres and the theatres are subsidised by the council. However, owing to the Covid 19 pandemic the high level of ongoing subsidy required to maintain these services may have a detrimental impact on the council's ability to deliver the business plan objectives.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	6	Monthly management meeting set up with YMCA	6	Treat	4	Future options in relation to theatres continue to be explored	Marianne Hesketh (Corporate Director Communities) Julia Robinson (Commercial Manager)	17/06/2022	
				The LMR (Leisure Management Reserve) was created to meet any additional requirements from the YMCA with regard to the subsidy and ongoing replacement of equipment and maintenance and investment in the leisure centres. A top up of £250K was made as part of the closure of the 20/21 accounts to meet the anticipated additional subsidy requirement in 22/23.				Monthly operational meetings for the Marine hall to be arranged to discuss all aspects of the service. Attendees to include M Hesketh, J Robinson, Clare Riche and a member of the marketing team.			Marianne Hesketh (Corporate Director Communities)

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
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).	Clare James (Corporate Director Resources)	6	Attendance at LCFOs and co-ordination of responses to Government consultations where appropriate.	4	Treat	4	Responding to consultations.	Clare James (Corporate Director Resources)	17/06/2022
				Attendance at regional seminars/workshops held by LGA				Review of Appeals/meeting with VOA representative (these have ceased owing to pandemic - unclear when meetings will reconvene)	Clare James (Corporate Director Resources) Andrew Robinson (Revenues Manager)	17/06/2022
				This reserve was established to cushion the council from the impact of the volatility of the business rates system and therefore the funding associated with it.				Use of Treasury Management Consultants for economic forecasts	Clare James (Corporate Director Resources)	17/06/2022
				Regular updates to CMT including biannual MTFP update.				In 2022/23 the 50% pooling arrangement will still be in place and this continue until further notice. Being in the pool has risks but performance so far has always benefitted the council financially. Membership of the pool is dependent on predicting growth in rates.	Clare James (Corporate Director Resources)	17/06/2022
Central Government funding is insufficient to provide the current level of service especially given the significant increase in energy costs / costs of living.	Central government funding provided to each authority has only been announced for one year (2022/23). As such uncertainty regarding future funding levels remains owing to the Fair Funding Review and other funding reforms. Based on current spending, the estimated funding gap in 2026/27 is £3.24m.	Clare James (Corporate Director Resources)	9	Budget briefings recorded or delivered at SLT/CMT meetings. Same briefings delivered to Members twice a year.	4	Treat	4	Optimisation of assets to be identified through the asset management review and re-introduce periodic reports to management team meetings.	Mark Billington (Corporate Director Environment) Maria Blundy (Head of Built Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources) Garry Payne (Chief Executive)	17/06/2022
				Regular review of achievements / progress as part of MTFP update. Regular monitoring of general balances and assessment of their likely exhaustion if no further action is taken. Levels of and top-ups to Earmarked Reserves reviewed with particular regard to those used to offset the £3.2m budget gap for 2026/27.				A review of the efficiency programme and delivery of commercial projects to be completed to identify if this is sufficient to meet any potential funding gap.	Clare James (Corporate Director Resources)	17/06/2022
				Regular review of projects as part of SLT's performance appraisals.						
				Updated efficiency plan discussed at CMT.						

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
Failure to meet carbon reduction targets	The council is unable to meet the governments target of achieving 78% carbon reduction by the 2035 deadline resulting in reputational damage and government pressures to comply.	Mark Billington (Corporate Director Environment) Sammy Gray (Climate Change and Environmental Projects Officer)	6	Climate Change Action Plan in place.	6	Treat	2	Commission Climate Change Strategy with a view to reducing the council's carbon footprint.	Mark Billington (Corporate Director Environment) Sammy Gray (Climate Change and Environmental Projects Officer)	17/06/2022
				A Climate Change Policy Working Group has been established.				The Council is working towards achieving Carbon Literacy Bronze status. CMT have received carbon literacy training and this training is now going to be rolled out to all HOS.	Sammy Gray (Climate Change and Environmental Projects Officer)	17/06/2022
								A mechanism to scrutinise the council's performance towards achieving the agreed carbon reduction target by the 2035 deadline needs to be established. (are we doing enough/too much to meet the target).	Mark Billington (Corporate Director Environment) Sammy Gray (Climate Change and Environmental Projects Officer)	17/06/2022
Increases in energy costs and rising costs of living	The removal of the energy cap in April 2022 will see an increase in energy costs for both the council and local residents. Rising inflation will also result in contract uplifts where contract prices are linked to the RPI. In addition, council fees and charges agreed annually in September 2021, were based on the CPI at 3.1%, but costs for services may increase by up to 20% during 2022 and therefore, fees and charges will be insufficient to cover this increase. All of these changes will result in increased expenditure for the council.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	6	Potential increases have been included within the MTFP.	6	Treat	4		Clare James (Corporate Director Resources)	17/06/2022
									Clare James (Corporate Director Resources)	17/06/2022
									Clare James (Corporate Director Resources)	17/06/2022
								Heads of Service to be contacted to ask if they wish to be included in an updated fees and charges report to adjust the fees and charges agreed in September 2021.	Veronica Wilson (Head of Finance)	17/06/2022
Insufficient capital receipts are received from the sale of council assets or revenue underspends resulting in a failure to deliver capital projects resulting in a failure to deliver capital projects.	Government funding is no longer received to fund capital investment. Therefore, future capital investment is dependent on capital receipts from the sale of council assets and the achievement of revenue underspends at outturn.	Mark Billington (Corporate Director Environment) Clare James (Corporate Director Resources)	6	An action plan has been included in the AMP and responsible officers have been allocated to required actions. Recent updates include:- •Cabinet approved the outright disposal of the land at Bourne Hill in July 2021 to a developer. Sale completed and the capital receipt to be received in 2022. •Cabinet approved the purchase of the Fish and Food Park at Fleetwood Docks. Work began in July on development of the units.	2	Treat	1	A prioritised list of assets has been drawn up. Quarterly progress reviews to CMT are required.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources) Garry Payne (Chief Executive)	10/06/2022
				An Asset management plan has been developed for 2018-2023.				New building condition surveys need to be completed for the remaining buildings / assets.	Maria Blundy (Head of Built Environment)	10/06/2022
				New building condition surveys have been carried out for all major buildings in order to provide an accurate forecast for future maintenance / capital investment.				An Asset management plan has been developed for 2018-2023. However, this requires reviewing to ensure that it remains fit for purpose, beyond 2023.	Mark Billington (Corporate Director Environment)	10/06/2022
				Capital Investment Reserve in place which is topped up with budget underspends to fund capital projects.						

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
The combination of the efficiency programme and delivery of commercial projects is insufficient to meet the funding gap predicted 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 bridge the funding gap.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	9	Regular review of projects as part of SLT's performance appraisals.	4	Treat	2			
				Regular review of potential gap via MTFP updates and Budget Briefings						
The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff and resulting in significant capacity issues within council teams.	The council are experiencing difficulty in attracting and retaining staff in key service areas due to competing salaries at neighbouring authorities and the private sector and a general shortage in specific skills. This is impacting on the capacity of the existing teams to maintain service delivery and deliver council projects.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	6	Hybrid working group established and action plan/timeline created.	4	Treat	2	Up to 4x Corporate Apprentices to be recruited to for 3 year FTCs to help 'grow our own' future managers etc.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	17/06/2022
				Two apprentices have been appointed.						
								A fundamental review of the recruitment process is to be carried out with a view to simplifying and tailoring the application process to the posts being advertised, and to review the process for exit interviews. Look into engaging an external body (e.g. NW Employers) to undertake the review to gain an independent and objective opinion of the current process. An update is to be provided to CMT.	Joanne Billington (Head of Governance & Business Support) Jane Collier (Human Resources Manager and Deputy Monitoring Officer ) Clare James (Corporate Director Resources)	17/06/2022

# ICT Full Risk Review Report with dates

Entity: ICT and Digital (including children), Risk Assessment open, Current Risk version, Exclude confidential risks, Risk is open

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
<b>ICT and Digital</b>										
<i>Items in Group: 12</i>										
A cyber attack results in the loss of council systems and the potential loss of data and may significantly impact upon the councils finances, operations, reputation, and regulatory compliance status.	A cyber attack results in the loss of council systems and the potential loss of data and may significantly impact upon the councils finances, operations, reputation, and regulatory compliance status.	Lee Brophy (ICT Service Delivery Lead) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	9	A reserve exists to meet the cyclical and one-off costs related to ICT and with nearly £1m in this reserve as at 31 March 2021 it is at a robust level to meet additional cyber security costs. The reserve will continue to be monitored and increased as and when balances permit and the need arises.	9	Treat	3	The compilation of a draft CSRP using the Local Resilience Forum template is in the process of being completed by the Deputy Emergency Planning Officer and agreed with the Corporate Director of Resources.	Peter Mason (Head of Contact Centre)	01/06/2022
				All aspects of a cyber risk e.g. incident response and recovery, business continuity, determining priorities, minimising impacts, communication, support are standing items on the IT Steering Group.				Options for a fully managed DR service are being discussed with an external provider.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources)	28/05/2022
				Tenable Software Solution (first line of defence) has been procured.				National Cyber Security Centre (NCSC) good practice questionnaire is in the process of being completed and is to be reviewed at the next ICT meeting.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources) Peter Mason (Head of Contact Centre)	28/05/2022
								Cyber security training packages on Learning Pool have been reviewed and tested. There are a couple of issues that need to be rectified prior to this training being rolled out across the council (Learning Pool does not currently recognise / register when someone has completed the training, can the system notify when refresher training is due (after 12 months).	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources) Peter Mason (Head of Contact Centre)	28/05/2022
								Technical DR plan to be compiled to include a service charge.	Lee Brophy (ICT Service Delivery Lead) Jordan Cartmell (ICT Service Desk Lead)	30/09/2022
An IT Strategy is not in place resulting in no clear direction for the IT service.	An IT strategy outlining the objectives for the delivery of the IT service, it's resources and operations has not been documented and agreed by Senior Managers to ensure the IT service is effective.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources)	4		4	Treat	1	A Digital Transformation Strategy (DTS) has been compiled and is to be presented to CMT on 25th May 2022. A draft IT strategy linking to the (DTS) is in the process of being compiled and is to be reviewed by Pete Mason, Lee Brophy and Clare James and then be discussed with CMT.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources) Peter Mason (Head of Contact Centre)	25/05/2022
								The roles and lines of responsibility between IT and service units in relation to the operation and management of systems is being compiled as part of a service catalogue.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources) Peter Mason (Head of Contact Centre)	30/09/2022

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
Business Continuity and Disaster Recovery plans are inadequate affecting service delivery following a major incident.	The current Business Continuity and Disaster Recovery plans have not been reviewed or tested to ensure council systems meet business needs in the event of major incident occurring.	Lee Brophy (ICT Service Delivery Lead) Clare James (Corporate Director Resources) Stephanie Wright (Insurance Officer)	4	Backups are in place and copies are held on site and off site in the cloud.	4	Treat	2	A Disaster Recovery Plan still requires developing for those systems which are not cloud based. The biggest risk is the potential loss of storage / hosts which if this occurs could result in the loss of systems for an extended period of time. Options to mitigate this risk to be discussed with CMT with a view to a PH report to request funding.	Lee Brophy (ICT Service Delivery Lead) Peter Mason (Head of Contact Centre)	30/09/2022
ICT actions identified by external audit are not implemented leaving the council exposed to risk of unauthorised access / changes to systems and data and inability to recover systems following an unexpected event.	During the reviews undertaken by the councils external auditor Deloitte as part of the 2021 annual accounting process, a number of ICT observations were made relating to access rights, classification of data, Disaster Recovery etc. requiring action to mitigate any risk to the council.		4	The majority of ICT actions identified by external audit have been reviewed and addressed as appropriate. ICT are in the process of digitalising all forms in conjunction with HR. Going forward all new starters will have system profiles that are specific to their needs (no profile copying will take place).	2	Treat	1	A copy of the data leakage risk assessment is going to be sought from Deloitte.		11/06/2022
Lack of resource, knowledge of specific systems and skills within the service.	The loss of experienced staff within the IT department in recent years has resulted in a lack of resource, experience and knowledge of key systems .	Lee Brophy (ICT Service Delivery Lead)	6	Wider ICT structural review has been completed to ensure service is fully resourced and to identify any skills gaps.	4	Treat	2	ICT is now nearly fully resourced, they just need an apprentice which they are aiming to fill with a college/school leaver.	Clare James (Corporate Director Resources) Peter Mason (Head of Contact Centre)	05/09/2022
Loss of the council telephone system preventing the delivery of council services to residents	The Mitel telephone system is the councils main telephone system. However, the reliability of this system continues to reduce due to the age of this and the capability of the hardware / memory capacity increasing the risk of system downtime.	Lee Brophy (ICT Service Delivery Lead)	3		3	Treat	1	A replacement for the Mitel system or migration to a hosted service is being considered. Demos have been seen and a scoping document setting the system requirements is to be produced.	Lee Brophy (ICT Service Delivery Lead)	31/05/2022
Public Sector Network (PSN) certification	Public Sector Network (PSN): external accreditation of council systems is required annually to ensure that the councils security arrangements, policies and controls are sufficient to allow the council to interact with the PSN and those organisations connected to it. Annual accreditation due in April /May and now overdue. Should the councils systems fall below the required standards, access to the network will be withdrawn affecting service provision.		3	Tenable Software Solution (first line of defence) should help to reduce the number of issues requiring action going forward.	2	Treat	1	Action plan highlighting findings from the penetration testing and actions needed to improve controls received. Now 60% complete.	Lee Brophy (ICT Service Delivery Lead)	01/07/2022
Security updates are no longer received for Windows 7 and Server 2008 after these platforms reach their end of life, leaving these susceptible to malicious attacks.	A number of servers and desktops are reaching their end of life. The process to migrate all the systems currently held on these, particularly Server 2008 is lengthy, leaving these systems susceptible to attack after the support expires.		2	A licence for server 2008 has been extended until January 2023.	2	Treat	1	Windows 7 is close to being retired. The last remaining users to be identified and seek to transfer over if possible. Replacement of the storage area network (SAN) required. Costs for replacement to be obtained and then PH approval obtained.	Lee Brophy (ICT Service Delivery Lead) Jordan Cartmell (ICT Service Desk Lead)	31/05/2022
Single points of failure exist in key systems resulting in service delivery being affected during staff absence.	The systems administration and operation of a number of key council systems and associated processes is completed by one member of staff and during their absence this role cannot be completed affecting service delivery.		6	The Lagan system which was one of the systems considered to have a single point of failure is no longer in use and the new CSX system has more users so is no longer a concern.	2	Treat	1	All systems that are classed as having single points of failure (e.g. IDOX) will be identified during the compilation of the service catalogue and addressed. Current concerns relate to IDOX and Civica Financials.	Lee Brophy (ICT Service Delivery Lead) Jordan Cartmell (ICT Service Desk Lead) Peter Mason (Head of Contact Centre)	01/09/2022



Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
Support for the comino scanning system ceases following the end of the civica contract on the 31/3/22.	The comino scanning system, which is owned by Civica is being replaced and the data held on this system is to be migrated to a new system with Northgate. However, the civica contract is ending on the 31/3/22 and support for the comino system may cease due to the end of the contract or additional fees may be required to resolve any system issues.	Peter Mason (Head of Contact Centre)	6		6	Treat	2	Northgate contract in place for the new scanning system. Project plan awaited showing specific times / dates for migration of documents. Legal to review their files to ensure all docs an be scanned. Temporary member of staff to be recruited to complete the scanning of legal files.	Lee Brophy (ICT Service Delivery Lead) Peter Mason (Head of Contact Centre)	30/09/2022
The council is unable to progress hybrid working due to lack of appropriate equipment, tools and training.	Following the Covid 19 pandemic, the council are implementing hybrid working, enabling staff to work their contracted hours whilst based in the office or at home. However it is not known what equipment, tools and training is needed across the council in order to facilitate this effectively.		6	Hybrid working group established.	2	Treat	1	Re-introduce corporate roll outs of all new systems and software e.g. Teams, Office 365	Lee Brophy (ICT Service Delivery Lead)	30/06/2022
The PARIS system which contains a lot of financial data is no longer supported therefore keeping this system on the server poses new risks.	The PARIS system which contains a lot of financial data is vulnerable to attack as it is no longer supported and patched therefore keeping this system on the server poses new risks.		4	The Civica system is now located on an external server therefore a major incident e.g. flood / fire would no longer impact on the infrastructure of this system.	4	Treat	2	The PARIS system needs retiring however it holds financial payment data up to June 2021 and is still needed. Options for external support to hold this data is to be explored.	Lee Brophy (ICT Service Delivery Lead)	30/06/2022
								Explore a third party provider re Power BI for PARIS system.	Lee Brophy (ICT Service Delivery Lead)	30/09/2022

This page is intentionally left blank

## **Quality Assurance and Improvement Plan – Updated May 2022**

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

### **The internal assessments include:**

- An annual self-assessment of the effectiveness of the audit service using the PSIAS. From this assessment an action plan highlighting areas for improvements will be developed. The results of this exercise are reported to the Audit Committee in June each year;
- Feedback on the Audit and Risk Manager (CAE) is sought annually prior to their performance appraisal;
- 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.

### **The external assessments include:**

- A 5 yearly independent assessment of compliance to the PSIAS;
- An annual review of the council's Annual Governance Statement which accompanies the Statement of Accounts;
- Regular attendance at the Audit Committee by the council's External Auditor with the opportunity to meet in private with the Committee; and
- The External Auditors and the Audit Committee review and are able to challenge all internal audit reports.

The core principles of these are reported in the Annual Audit Report and a copy of the action plan is submitted alongside the annual opinion. In addition the content of this action plan is also used during performance appraisals and will be provided as evidence for the PSIAS self-assessment and / or any other external validation.

<u>QAIP Action Plan</u>	<u>Narrative</u>	<u>Position as at May 2022</u>	<u>Actions</u>	<u>Progress November 2023</u>	<u>Outstanding actions C/F to 2023-24 QAIP (requires declaration in the Annual Report)</u>
<b>Internal Audit Assessments</b>					
Annual self-assessment of the effectiveness of the audit service using the PSIAS.	The CIA completes the self-assessment annually and this is ratified by the Head of Governance and Business Support and the S.151 Officer. It is then approved by Audit Committee normally in May / June.	The self-assessment has been completed and will be submitted to the Audit Committee on 14 June 2022. The actions falling out of the self-assessment need to be added to the QAIP.	From this assessment the following actions needed to be addressed; <ul style="list-style-type: none"> <li data-bbox="1167 408 1487 841">• An independent review of the council's risk management processes needs to take place following the direct involvement in the implementing of the new GRACE risk management system, refresh of</li> </ul>		

			<p>policy and training of action plan owners.</p> <ul style="list-style-type: none"> <li>The Head of Governance and Business Support is required to countersign the Internal Audit Effectiveness review and also the Annual Audit Opinion owing to the new CIA not having Chartered status.</li> </ul>		
Six-monthly monitoring of the internal audit activity to the Audit Committee.	In / November the AC receives a report on progress on audit work and risk	The Audit Committee work program schedules both a and November update on Internal Audit,	No concerns raised that need to be documented with the QAIP.		

	management. They also receive an update on any other governance work carried out by the IA service.	Risk Management and the council's governance arrangements. Reports are published on the Internet.			
Feedback on the Audit and Risk Manager (CAE) is sought annually prior to their performance appraisal.	The Head of Governance and Business Support will contact the Chair of Audit Committee prior to CIA appraisal to make sure any issues are fed into the process.	The CIA's annually 1-2-1+ has not yet been carried out.	Prior to the CIA's annual 1-2-1+ feedback will be sought from both the Chairman of the Audit Committee and also the S.151 Officer.		
Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the section's	Weekly 1-2-1's with audit staff. Compliance with the PSIAS also covered in Performance	All staff complete performance appraisals – PDP's sent to HR to identify training and development. It has been agreed that the Audit,	The Audit, Risk and Performance Lead needs to register with the IIA and start a portfolio of experience ready for the		

Audit Charter and also in the PSIAS.	Appraisals where learning, training and development are discussed.	Risk and Performance Lead will pursue the 'Chartered by Experience'.	September submission deadline.		
<b>External Audit Assessments</b>					
Regular attendance at Audit Committee by the council's External Auditor with the opportunity to meet in private with the Committee.	Deloitte are expected to attend each meeting. The Audit Committee work programme includes a private discussion with the External Auditor annually.	During the pandemic the regular catch up meetings with Deloitte were stalled. However, regular meetings are now being scheduled.  Where the External Auditors cannot attend Audit Committee meetings, an option to attend virtually is provided.	No concerns raised that need to be documented in the QAIP.		
A 5 yearly independent assessment of compliance to the PSIAS.	The LDAG have decided that the external assessments will be	The Internal Audit Team is in the process of preparing for the peer review in early 2023.	No concerns raised that need to be documented with the QAIP.		

	carried out via peer review. See timetable. Last review March / April 2018. Next due March 2023.	This includes completing CIPFA's Internal Audit Self-Assessment in the Local Government Applicate Note. This has now been completed for 2022 and will submitted to the Audit Committee in June 2022.			
An annual review of the council's Annual Governance Statement which accompanies the Statement of Accounts	The External Auditor carries out a review of the AGS and makes reference to this review in the ISA 260 presented to the AC in June/July each year.	<p>Whilst the draft AGS for 2020/21 was submitted to the Audit Committee in 2021, it is yet to be signed off as final as part of the finalisation of the Statement of Accounts.</p> <p>The AGS for 2021/22 has been drafted and will be submitted to the Audit Committee on 14 June 2022. It is hoped that the</p>	Early assurance should be sought from the External Audit that the draft AGS for 2021/22 complies with CIPFA guidance and is not misleading or inconsistent with other information they are aware of from their work.		



		External Auditor will be in attendance.			
The External Auditors and the Audit Committee review and challenge all internal audit reports.	<p>All Internal Audit reports are issued to both AC and External Audit on publication. They are also published on the SharePoint.</p> <p>The Audit Committee are encourage to invite Services Managers to the Committee to challenge outstanding recommendations.</p>	Owing to the pandemic, Service Managers have not been regularly invited to attend Audit Committee. However to facilitate this going forward, the Internal Audit Charter has now been updated to ensure that Service Managers attend Audit Committee following two follow-up reviews where the opinion has remained unchanged.	No concerns raised that need to be documented with the QAIP.		

This page is intentionally left blank



<b>Report of:</b>	<b>Meeting</b>	<b>Date</b>	<b>Item no.</b>
Corporate Director Resources (S151 Officer)	Audit Committee	14 June 2022	

<b>DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22</b>
--

## 1. Purpose of report

**1.1** To approve the draft Annual Governance Statement (AGS) for 2021/22 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. Recommendations

**3.1** The Committee is asked to review and formally approve the draft AGS.

**3.2** The Committee is asked to give delegated authority to the Section 151 to make minor amendments and any changes requested by External Audit.

## 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 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 on-going pandemic. Similar to the AGS for 2020/21 new sections have been included to reflect the changes to the governance arrangements across the council. The bulletin also refers to the new Financial Management Code and again as with 2020/21, a section has been added to reflect the new Code and to document the review that has been undertaken of the council's compliance with the Code.

## **5. Key Issues and proposals**

**5.1** The draft AGS for 2021/22 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.

**5.2** No significant governance issues have been raised that require documenting separately in the Annual Governance Statement for 2021/22. However, a number of minor issues have been identified which have been documented in an action plan (Appendix 2). The implementation of these issues will be monitored by CMT and the Audit Committee.

<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>	06.06.22

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

**List of appendices**

Appendix 1 – Draft Annual Governance Statement 2021/22

Appendix 2 – Annual Governance Statement Action Plan 2021/22

## **DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22**

### **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 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 ending 31 March 2022.

#### **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 On the 28 March, a governance workshop was 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 were discussed in length and evidence was put forward to demonstrate how the council was meeting each of the principles. It was 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 was 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
- The examination of risk reports, risk registers and an overview of the risk management process.

5.4 Following this meeting, this information was collated and a draft statement was 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 2021/22 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 2021/22.

### **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 Elected Members.
- The council has a set of corporate values for its staff reflecting public expectations about the conduct and behaviour of individuals and these are reflected in the recruitment and selection and performance appraisal processes.
- The Council has a refreshed Member Code of Conduct in place that helps to achieve high standards of conduct for Elected Members.
- A number of Elected Members have recently attended training in relation to 'Ethical Standards' and the recently refreshed Code of Conduct.
- Induction training is in place for both staff and newly Elected Members.
- Arrangements are in place to ensure that Elected 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 Elected Members and officers.
- An up-to-date register of gifts and hospitality is maintained for officers 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, Elected 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 Elected 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 and Business Support champions ethical compliance for both officers and Elected 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 took place during November 2021.
- Protocols are in place for partnership working. These are documented in the council's Financial Regulations and Financial Procedure Rules and reviewed

annually.

- 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 observes 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 with any non-compliance reported in the Annual Governance Statement.
- 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 new Chief Internal Auditor is a 'Certified' Internal Auditor and has extensive internal audit experience.
- The Head of Governance and Business Support is a Certified and Chartered Auditor (CIA, CMIIA) and also holds a Qualification in Internal Audit Leadership (QIAL).
- Anti-fraud and anti-corruption policies are in place and reviewed annually by Audit Committee.
- The Monitoring Officer is responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- All allegations concerning breaches of the Code of Conduct by Elected Members are thoroughly investigated by the Monitoring Officer.
- Up to date job descriptions and person specifications are maintained for the Chief Executive, Section 151 Officer and the Monitoring Officer.
- All staff and Elected Members have completed Data Protection training in 2018, however it is recognised the need for an immediate refresh. This will be arranged for the newly Elected Members in May 2023.
- Freedom of Information and Environmental Information Regulation training was provided to Service Managers in February 2022.
- Subject Access Request training was provided to all officers involved in the administration of these in February 2022.
- 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.
- The Council's Constitution has recently been amended to allow 'Non-Executive Decisions' to be taken under 'Emergency Powers' in the event of an on-going

## **Core Principle B – Ensuring openness and comprehensive stakeholder engagement.**

### Openness

- A business plan is published annually giving information on the council's strategic narrative, priorities and performance measures which is shared with all officers, Members, partners and the community.
- An annual Statement of Accounts is produced with an easy to read narrative report.
- The annual efficiency statement is published with the revenue estimates.
- The Corporate Director Resources (Section 151 Officer) is responsible for publishing annual accounts, in a timely manner and within statutory deadlines, to communicate the council's activities and achievements, its financial position and performance. The draft 2020/21 accounts are awaiting formal sign-off following delays by External Audit and now a review on infrastructure asset treatment by CIPFA.
- 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's compliance to the Local Government Transparency Code 2015 was last reviewed as part of the Information Governance / GDPR compliance audit work that took place during 2021/22. Gaps were identified, which will be addressed through the action plan.
- 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 audio recordings of Council meetings are available on the council's website and YouTube.
- A property investment panel has been established which considers proposals for investment opportunities.
- The Council website complies with the New Accessibility Regulations 2019.
- Hybrid working / staff feedback sessions were held with CMT and were open to all staff in autumn 2021.

### Engaging comprehensively with institutional stakeholders

- The council continues to meet 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 sea defences scheme which is estimated to cost £42m. Internal Audit attend each meeting.
- 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 and the Waste Management Partnership Board.
- The council continues to support the food banks (Over Wyre / Fleetwood) established in response to the recent pandemic.
- Approximately £90,000 of grants have been distributed during 2021/22 to local community groups made available from the Household Support Fund.

#### 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.
- 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 consultations and all are available through the online consultation portal.

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

#### Defining outcomes

- The Council has made a clear statement of its vision, ambitions, key programmes and projects in its business plan (2019 – 2023) which is used for service and corporate planning.
- The business plan includes a set of measures defining outcomes which are reported quarterly to the Overview and Scrutiny Committee.
- There are effective arrangements to deal with failure in service delivery.
- There is a corporate complaints procedure with annual reports from the Local Government Ombudsman are 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 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, operational and ICT (including cyber security) risk registers are maintained on a dedicated risk management system. Risk workshops are held throughout the year to review current risks and controls and identify any new risks. Risk registers are reviewed quarterly, in line with the Risk Management Policy and Procedure.

#### 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.
- Following the declaration of a climate emergency in July 2019 the Council continues to work through a comprehensive action plan of key issues effecting both council services and the wider community.
- In recognition of our progress on climate change, the council has been accredited as a Bronze level Carbon Literate Organisation. We are the first authority in Lancashire to achieve this status.
- 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.
- 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 continues to work closely with Associated British Ports and other partners to bring new commercial floor space at Fleetwood Docks to help safeguard the fish processing industry for Fleetwood (Project Neptune).
- The council operates a weekly online community lottery to provide good causes and community groups with a simple way to raise funds.
- The council continues to work and support local business following the pandemic through the development and implementation of the Wyre Local Growth Plan.

- £300,000 was allocated during 2021/22 towards a new town centre strategy fund which was formed to support our town centres following 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 ICT infrastructure projects.

### Planning interventions

- The Council's business plan is refreshed annually and is subject to review by Overview and Scrutiny prior to approval by Full Council.
- Business plan actions are managed by officers and monitored by Cabinet and the Overview and Scrutiny Committee.
- The business plan is developed taking into account 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 Wyre 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 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 continues to support the YMCA and allocated a further £720,000 subsidy at the start of 2021/22 to the YMCA. The YMCA has operated within the subsidy budget and are reporting a significant underspend of £500,000.
- 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 periodically via relevant Lancashire professional groups e.g. revenues, audit, finance etc.
- The council’s performance appraisal system allows for documentation of the development of the individual through their personal development plan.
- Internal Audit received a ‘full compliance’ overall opinion when assessed against the Public Sector Internal Audit Standards (PSIAS) in 2018. The next assessment is due in March 2023. Internal self-assessments continue to take place annually.
- The council regularly benchmarks Elected Member’s allowances as part of the review undertaken by the Independent Remuneration Panel. The last full review was completed in April 2022.
- The council attends the Lancashire Waste Partnership and are currently evaluating if a revised Lancashire Waste Strategy is required following the release of the DEFRA Resources and Waste Strategy 2018, and new Environment Act 2021 Legislation being introduced, with any consultation including advisory groups such as the Local Authority Recycling Advisory Committee (LARAC), Waste and Resource Action Programme (WRAP) and Association of Public Service Excellence (APSE).

### Developing the capacity of the entity’s leadership and other individuals

- The Chief Executive is responsible and accountable to the council for all aspects of operational management and attends 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 / Elected 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 where possible for Elected Members and officers to facilitate succession planning.
- Funding was made available to fund up to six new apprenticeship posts in 2021. To date, two posts have been filled, with a further three commencing in Summer 2022.
- Effective management arrangements are in place both at the top of and throughout the organisation to support the health and wellbeing of officers.
- The council assesses the skills required by Elected Members and officers and makes a commitment to develop these to enable roles to be carried out effectively.
- The council ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the council.
- Training programmes are tailored to meet individual needs and there are opportunities for Elected Members and officers to update their knowledge on a regular basis.
- Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
- Arrangements are in place via the volunteering initiative to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority.
- A competency framework exists to ensure that all staff have appropriate skills enabling them to deliver high quality services.

**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 Elected Members and managers at all levels recognising that risk management is part of their job.
- The Risk Management Policy and Procedure is refreshed annually and approved by the Audit Committee.
- Strategic, Operational and ICT (including cyber security) risk registers are managed through a dedicated risk management system. Workshops are held regularly to review current risks and identify any new risks.
- 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. The gaps have been identified and the Information Governance Group will monitor



the gaps to ensure they are addressed in a timely manner.

- In March 2022, all officers responsible for answering Freedom of Information, Environmental Information Requests and Subject Access Requests attended mandatory training from an external provider.

#### Managing performance

- Performance is regularly reported to the Corporate Management Team, Cabinet and the Overview and Scrutiny Committee.
- 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.
- A workshop was held in February 2022 with Overview and Scrutiny and CMT to agree the Committee's work programme for 2022/23.

#### 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.
- A quality assurance improvement programme (QAIP) is in place to ensure the continual improvement of the internal audit service.
- An 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 with only two minor actions identified following the last review in June 2022.
- Both the Audit and Risk Manager (Chief Internal Auditor) and the Audit, Risk and Performance Lead have extensive experience in internal audit. The current Chief Internal Auditor is a Certified Internal Auditor.
- The Head of Governance and Business Support holds both the Chartered Auditor and a Qualification in Internal Audit Leadership.
- The implementation of internal audit reports recommendations is monitored by the Internal Audit Team and the Audit Committee.
- Counter-fraud policies are in place and reviewed annually. The effectiveness of these policies is reviewed on a regular basis.
- The council has an effective whistleblowing policy which is reviewed annually

by the Audit Committee.

#### Managing data

- In 2018, both staff and Elected Members received data protection training. Refresher training will be provided by September 2022 for staff and May 2023 for the newly elected Members.
- The council has appointed a Data Protection Officer (and a Deputy) who is responsible for ensuring the council's compliance with any Data Protection Legislation.
- The Audit Committee have delegated responsibility for ensuring the council is compliant to data protection legislation and receives six monthly updates from the Head of Governance and Business Support
- In March 2022, the Audit Committee were given delegated responsibility for Cyber Security. The Committee will receive updates as part of the audit and risk Management update in June / November.
- Information Asset Registers are in place for the majority of services to demonstrate the council knows what data it processes, where it is stored and how it is shared (data flows) internally and externally.
- Information is stored securely and confidential waste disposal arrangements are in place.
- Key performance data is regularly reviewed for accuracy by internal audit.

#### Strong public financial management

- Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications.
- Up to date registers of gifts and hospitality are held for both Elected Members and officers, demonstrating openness and transparency.
- Registers of interests are maintained for both officers and Elected Members.
- 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.
- It is expected that the External Auditors will issue an unqualified value for money conclusion for the 2020/21 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 presented to Full Council and also 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. Any gaps in compliance will be monitored by the Information

## Governance Group.

### 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 and Business Support. The action plan is monitored by Corporate Management Team and reported to Audit Committee in June / November each year.
- 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 the Audit and Risk Manager (Chief Internal Auditor) to deliver an annual internal audit opinion.
- The Chief Internal Auditor has reported in her Annual Audit Report that reasonable assurances 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). This means that 'generally' there is a sound system of internal control, governance and risk management and that controls are in place and are generally being applied consistently. Whilst some issues, non-compliance or scope for improvement were identified recommendations have been made and if implemented will improve the control environment.
- In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed and presented to the Audit Committee with any areas of non-compliance documented in an action plan and in the Internal Audit Quality and Assurance Improvement Programme.
- The Audit Committee work programme provides the opportunity for the 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. The last inspection was carried out in January 2022 with only minor observations being made.
- Key partnerships are periodically reviewed through the internal audit plan with delivery via third parties being included in the assurance reviews undertaken annually.
- The Financial Regulations and Financial Procedure Rules include partnership

guidance which can assist officers in managing the key risks of any partnership arrangements.

- Clear terms of reference exist for the key partnerships, clarifying arrangements for accountability, for example the Waste Management Partnership and the Community Safety Partnership.

## **7.0 RISK MANAGEMENT FRAMEWORK**

- 7.1 The council has adopted a corporate Risk Management Policy and Procedure and now operates a fully integrated risk management system (GRACE) across the organisation.
- 7.2 Each year the council's Corporate Management Team (CMT), Head of Governance and Business Support, Audit and Risk Manager and the Audit Committee Chairman attend a strategic risk workshop, to identify and prioritise risks and to produce an action plan. This year the workshop took place on 18 March 2022. The results of this workshop can be found at Appendix 3 of the Annual Internal Audit Report for 2021/22. At the workshop, significant business risks that may impact upon the council's priorities (the business plan) 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.
- 7.3 Operational risk workshops were held this year following the strategic risk workshop in March, with each service unit identifying new risks that could occur during the year preventing the achievement of individual service plans. 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 number of prompts were issued to staff to ensure progress was documented.
- 7.4 In June 2021, the council purchased a risk management system (GRACE) to fully automate the risk management process and remove Internal Audit from the management and administration of risk allowing them to give a more independent and objective opinion on the effectiveness of the risk management processes across the council. The council's operational, strategic and ICT risks are now populated within GRACE and action plans have been added to assist with the mitigation of the risks identified. Whilst the Audit Committee do not have access to GRACE, strategic risk reports are produced and presented to the Committee on a regular basis. The council's ICT risk register continues to be monitored quarterly by the Corporate Director Resources, Head of Contact Centre and ICT and the Audit and Risk Manager (Chief Internal Auditor).
- 7.5 Following the pandemic, staff have welcomed the return of face-to-face risk workshops and have participated well. The council's risk management and assurance framework continues to be well supported by CMT, the Audit Committee and across the organsiation. All risk owners attended training for the new GRACE system, and so far, it seems to have been well received. The

changes to the risk management process were documented in a 'refreshed' Risk Management Policy and Procedure and was approved by Audit Committee in November 2021.

## **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 Audit and Risk Manager (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 2021/22 concluded that 'reasonable assurances 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)'. This means that 'generally' there is a sound system of internal control, governance and risk management and that controls are in place and are generally being applied consistently. Whilst some issues, non-compliance or scope for improvement were identified recommendations have been made and if implemented will improve the control environment. It goes further and states that 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 face-to-face risk workshops and in the formulation of the Annual Governance Statement.

## **9.0 VALUE FOR MONEY CONCLUSION**

9.1 The External Auditors issued an unqualified value for money conclusion in their last and 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. It should be noted that owing to delays on the part of the external auditor in the signing off of the

2020/21 accounts, no more recent VFM conclusion has been received although no issues have been raised with the S.151 Officer to date.

## **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 2021/22. However, when reviewing compliance to the guidance, a number of minor issues have been identified which have been documented in an action plan monitored by Corporate Management Team and reported to the Audit Committee prior to sign off then again in November each year. In addition, it has been identified that internal controls have not been followed in relation to a contract procurement and steps are being taken to resolve the matter.
- 10.2 There were no significant governance issues raised in the 2020/21 Annual Governance Statement that were required to be followed-up and the minor issues identified at that time have been monitored throughout the year and were last reported to the Audit Committee in November 2021. These issues have either been implemented or have been carried forward to the 2021/22 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 Similar to 2020/21, social distancing measures continued to have an impact on the council's decision-making procedures, particularly in 2021. 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. The majority of the meetings in 2021/22 took place after this legislation expired and were face to face, although some were held in quorate in order to preserve social distancing during the rise of the Omicron variant. All of our formal virtual meetings have been broadcast live and made available on our website and on our YouTube Channel. During the period to September 2020 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 Home working was facilitated for the majority of office-based council staff during the pandemic and this remains in place as an option for hybrid workers. The norm for full time hybrid workers is to work an average of two days per

week from home and this is kept under review as part of staff 1-2-1 discussions with managers.

- 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 continued as normal.
- 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. We have retained limited opening hours for our reception counter at the Civic Centre and we encourage customers to sign up for a 'MyWyre' account which allows for greater self-service 24/7. Ultimately, business as normal largely returned during 2021/22 with the gradual, stepped lifting of Covid-19 restrictions.

#### Funding consequences during the local government response

- 11.6 The ongoing Covid-19 pandemic has had a financial impact on the council which is still being felt. 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 going forward. This will be particularly important in light of the 'cost of living crisis' caused by high inflation and rising energy prices partly caused by the conflict in Ukraine.

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

- 11.7 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 and residents are struggling to cope with the increased cost of living. This means that the assumptions underlying later years in the MTFP will almost certainly need to change, making the 'funding gap' for 2022/23 and beyond larger. A more detailed review will be undertaken as part of the MTFP update to Cabinet in October.

#### Positive outcomes for the council

11.8 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 for further development. 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 ongoing pandemic.

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 councils 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 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. Without multi-year settlements though, any forecasting will prove difficult to produce with any accuracy and this remains the position for all local authorities.

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

13.1 As reported in the Annual Internal Audit report for 2021/22 it is again pleasing to report that governance processes and the overall framework across the organisation have been well supported and have continued to operate effectively.

### **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 2022 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 2022 is satisfactory.***

**G PAYNE**  
**CHIEF EXECUTIVE**

**ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2021/22**

Governance Issue	Year relating to	Finding	Action required	Officer Responsible	Timescales
Page 154 <b>ICT Disaster Recovery / Cyber Resilience</b>	C/F 2018/19	Whilst an ICT disaster recovery plan was initially drafted in 2018/19 this has yet to be finalised.	The Disaster Recovery Plan needs to be finalised and rolled out as soon as possible.	Lee Brophy / Peter Mason	Immediate
		Whilst some work has been completed to ensure the council is protected as much as possible from cyber attacks, including carrying out a self-assessment of gaps/key risks, the council has still to progress a separate Cyber Resilience Plan.	A separate Cyber Resilience Plan needs to be developed to take into consideration the issues raised in the recent cyber self-assessment.	Peter Mason/ Lee Rossi	Immediate
<b>Climate Change</b>	2021/22	The council declared a climate emergency in July 2019 and since this time the council has been working through a comprehensive action plan of issues effecting both council services and the wider community. Whilst good progress has been made in implementing a number of these actions, for example securing £1.2m in grant funding for the decarbonisation of Fleetwood Market and accredited as a Bronze level Carbon Literate Organisation, there is currently only one full time officer leading on climate change. Further work is needed to identify any gaps with the action plan and highlight the key projects (e.g. developing a	More staff need to be encouraged to take part in the Carbon Literacy training to facilitate the achievement of a silver accreditation.  In addition, lead officers needs to be identified to drive forward the key projects to allow progression of the action plan which will allow the council to reduce its carbon emissions by at least 78% by 2035, in line with the UK government targets.	Mark Billington / Kathy Winstanley Sammy Gray	TBC

Governance Issue	Year relating to	Finding	Action required	Officer Responsible	Timescales
		strategy) and then nominate lead officers.			
<b>Social Value</b>	2021/22	Whilst the Council's Constitution considers social value when procuring goods and services and gives some advice, the council does not record or monitor the impacts / outcomes of social value following the procurement of goods and services. Initial investigations were made to procure software that would assist with the recording and monitoring of social value, however it was considered excessive for the council's current needs.	More work needs to be completed in regard to monitoring the impacts / outcomes of social value, particularly with larger contracts, following the procurement of goods and services. Legislation is awaited which will influence any changes.	David Hewitt-Dean	November 2022
<b>Internal Audit Quality Assurance Improvement Programme (QAIP)</b>	2021/22	From 1 June 2021 the Chief Internal Auditor role was allocated to the Audit and Risk Manager. However whilst the postholder has significant audit experience and has already obtained 'Certified' auditor status, she currently does not hold 'Chartered' status as required by the Public Sector Internal Audit Standards. Succession plans are in place within the Internal Audit Team and given the current Chief Internal Auditor has indicated she may wish to retire in 2023/24, a decision has been made to allow the Audit, Risk and Performance Lead to undertake the relevant 'Chartered' qualifications.	Whilst the Audit, Risk and Performance Lead obtains the necessary 'Chartered' status, the Head of Governance and Business Support will need to countersign the Internal Audit Self Effectiveness review and also the Annual Audit Opinion.  The QAIP needs to be updated to reflect this countersignature arrangement and the	Jo Billington	June 2022

Governance Issue	Year relating to	Finding	Action required	Officer Responsible	Timescales
			requirement for the Audit, Risk and Performance Lead to undertake the necessary 'Chartered' status.		
<b>Report Author Training</b>  Page 156	2021/22	Whilst a number of changes have been made to the Constitution over the last few years, it is noted that the Report Author Guidance has not been refreshed since 2017, when the last training session for report authors was delivered. It is understood that the introduction of a 'climate change decision wheel' is to be introduced to the decision making process which will also need reflecting in the guidance.	The Report Author Guidance needs to be updated to include any changes made since 2017. It should also include guidance on the new 'climate change decision wheel'. Following which training will need to be arranged with all report authors.	Democratic Services	September 2022
<b>Regulation of Investigatory Powers Act (RIPA)</b>	2021/22	Following the last inspection in January 2022, a few minor changes are needed to the council's RIPA Policy.	The RIPA policy needs to be reviewed and amended to take into consideration the minor changes recommended by the Inspector in January 2022.	Mary Grimshaw	November 2022
<b>Whistleblowing</b>	2021/22	Following a recent whistleblowing and an external independent assessment of the council's policy and procedures, it was identified that the current policy needs reviewing.	A review of the WB Policy needs to be completed and submitted to the Audit Committee in November 2022 for approval. Following	Jo Billington	November 2022

Governance Issue	Year relating to	Finding	Action required	Officer Responsible	Timescales
			this, the policy will then need to be rolled out to all staff, partners and contractors.		
<b>Information Governance / Data Protection</b> (inc. Transparency Code)	C/F 2018/19	<p>The council continues to work towards ensuring full compliance with the UK GDPR. Whilst the GDPR compliance audit included in the 2021/22 audit plan has yet to be finalised, 'reasonable' assurances have been given by the Auditor that generally there are sound controls in place and that whilst some areas have been identified that require strengthening, the auditor is confident that the majority of the issues identified can be addressed relatively quickly. However, a larger piece of work is needed by service managers to bring the information assets registers up to date.</p> <p>Elected Members have not had any data protection training since 2018. Whilst there will be a module within Learning Pool, there is no plans at this stage to roll out the platform to Elected Members. However an alternative will be sourced.</p>	<p>The draft report for the GDPR compliance audit, which includes recommendations relating to compliance to the Transparency Code needs to be issued asap. The action plan needs to be managed by the Information Governance Group and regular updates need to be provided to CMT through the quarterly Head of Governance and Business Support updates.</p> <p>Need to arrange UK GDPR refresher training for the newly Elected Members in May 2023.</p>	<p>Jo Billington / Jo Porter / Dawn Allen / Karen McLellan</p> <p>Jo Billington / Democratic Services</p>	<p>June 2022</p> <p>May 2023</p>

Governance Issue	Year relating to	Finding	Action required	Officer Responsible	Timescales
<b>Staff Survey</b>	C/F 2019/20	Whilst a full staff survey has not been carried out since 2017/18, there have been a number of staff engagement activities that have taken place; hybrid working and listening sessions at Marine Hall. However, these sessions may not have captured all staff giving every officer an opportunity to raise or voice concerns.	Consideration should be given to carrying out a full staff survey following the pandemic and the introduction of hybrid working, focusing on health and wellbeing following a difficult two years.	Jane Collier / CMT	TBC
<b>Corporate Comments, Compliments and Complaints Procedure</b>	C/F 2019/20	The staff ethical governance survey carried out in October 2018 identified that although staff were aware that the council had a corporate Comments, Compliments and Complaints Procedure, they were less familiar with the content and where to locate it. In addition, it has become apparent that there are limited number of senior officers available to carry out second stage investigations. In response to these findings, the Corporate Apprentices surveyed CMT / HOS to try and capture any issues with the current processes with the object of refreshing the policy and identifying more resources to assist with second stage investigations. Whilst a summary of findings was produced, these have yet to be actioned.	The work completed by the Corporate Apprentices regarding the operation of the corporate Comments, Compliments and Complaints Procedure needs to be finalised with consideration be given to identifying additional resources for the second stage investigations.	Peter Mason / Jo Billington	June 2022

Governance Issue	Year relating to	Finding	Action required	Officer Responsible	Timescales
<b>Competencies, behaviours and values</b>	2021/22	The council's current values framework, which includes the expected values and behaviours, has not been reviewed following the role out of the hybrid working programme. In addition, it is felt that the 'one size fits all' competency framework is not appropriate for Managers and operational staff. HR have already started to work with North West Employers (NWE) to develop a programme which will in the first instance look at refreshing the strategic narrative, followed by the values framework.	HR need to continue to work with NW Employers to develop a programme which will include a review of the current strategic narrative and values framework, with a view to exploring the possibility of introducing further levels of competency for managers and operational staff.	Jane Collier / CMT / HOS	On-going
<b>Member Code of Conduct</b>	C/F 2020/21	<p>Following the recent refresh of the Local Government Act's 'model Code of Conduct', Wyre's code has been benchmarked, refreshed and approved by Full Council. Following this training (Members Behaving Badly) was provided by an external party to Elected Members on the 3 February 2022. However not all Elected Members attended.</p> <p>In addition, following the CPSL review, Central Government responded to the review making a number of observations and recommendations for Local Authorities to consider. It is understood the Monitoring</p>	<p>It is recommended that all Elected Members who were not able to attend the Members Behaving Badly Training are sent the video recording and handouts and certify that they have read and understood the content.</p> <p>In addition, consideration needs to be given to including similar training to newly Elected Members in May 2023.</p>	<p>Democratic Services Immediately</p> <p>Democratic Services May 2023</p>	<p>1 July 2022</p> <p>May 2023</p>

Governance Issue	Year relating to	Finding	Action required	Officer Responsible	Timescales
		Officer (MO), Deputy MO, Head of Governance and Business Support and Democratic Services have met to consider the document and a number of actions are in the process of being actioned.			
<b>Staff Inductions / Training and Development</b> Page 160	C/F 2020/21	Whilst the council already has an effective corporate induction process in place, it is in the process of modernising this with the rollout of a e-learning platform 'Learning Pool'. Whilst the new training platform went live in September 2021, work has stalled owing to the lack of resources within Human Resources. It is understood the new induction package will also include a number of mandatory training courses (Data Protection / GDPR and cyber security) which can also be used to refresh existing staff who have not received any data protection training since 2018 and perhaps may never have received any cyber security training.	Following the purchase of Learning Pool, the training package needs to be developed and rolled out to all new starters via the induction process.  In addition, the Data Protection / GDPR and cyber security modules needs to be rolled out to all existing staff as refresher training.	Jane Collier / Marc Whittaker  Joanne Billington / Lee Brophy	September 2022  September 2022
Performance	C/F 2020/21	A performance audit in January 2020 highlighted that the council's processes to monitor the performance of the projects within the council's Business Plan require further enhancement. A new role was created, following which in June 2021 an	A fundamental review of the business plan and the process for monitoring and reporting key projects will be carried out, starting in January 2023 prior to pulling	Marianne Hesketh / Dawn Allen	January 2022



Governance Issue	Year relating to	Finding	Action required	Officer Responsible	Timescales
Page 1		Audit, Risk and Performance Lead was appointed to lead on the refresh of monitoring the performance of the projects within the Business Plan. Quarterly monitoring of the projects / measures within the business plan continue to be reported to CMT and Overview and Scrutiny and work is on-going to improve the processes / indicators / measures in place to monitor the performance of the council's key projects. A decision has been made to leave the fundamental review until the council starts pulling together the new business plan for 2023.	together the new four year Business Plan.		
<b>Performance Appraisals</b>	C/F 2020/21	Whilst there are standardised documents for documenting performance appraisals, it has been established that although CMT have conversations that mirror the standardised documentation these discussions are not documented on the same corporate paperwork.	To ensure a consistent approach is established, all CMT need to use the corporate performance appraisal documentation to record their 1-2-1 discussions with the Chief Executive. The NWE programme will support this change with higher level competencies with SLT.	HR / CMT	Immediate
<b>VFM Indicators</b>	2021/22	During the pandemic, the value for money (VFM) indicators were not reviewed as normal and presented to Cabinet and the	Consideration needs to be given to the validity of running the benchmarking	TBC	TBC

<b>Governance Issue</b>	<b>Year relating to</b>	<b>Finding</b>	<b>Action required</b>	<b>Officer Responsible</b>	<b>Timescales</b>
		Overview and Scrutiny Committee.	VFM indicators during the Covid year 2021/22.		



# 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... Possibility 2022 will be further extended to November**)
- Comply with Accounts and Audit Regs 2015 (as amended for Covid-19 timescales)
- Comply with the Code of Practice on Local Authority Accounting



# 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



# 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

• page 166



# 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



# 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)







# The Narrative Report

Page 169



# 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!





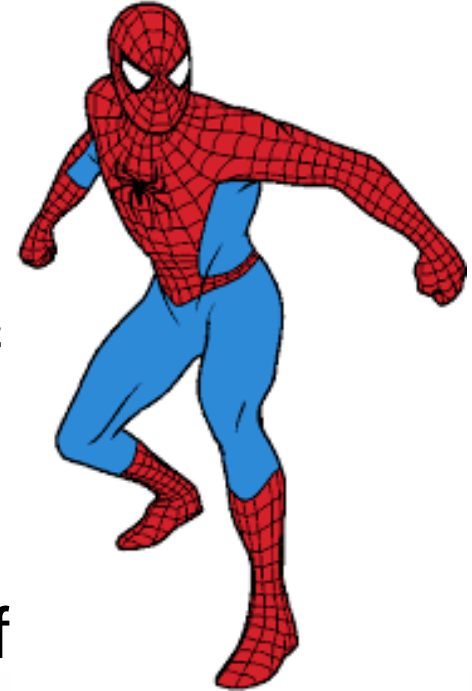
# Statement of Responsibilities



# 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



# 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

Page 173

# 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:

Page 174

- 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

# 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... or possibly November)
- Presiding Member (Chairman) at the Committee meeting at which the accounts were approved.

Page 175



# Independent Auditor's Reports



# Independent Auditor's Report

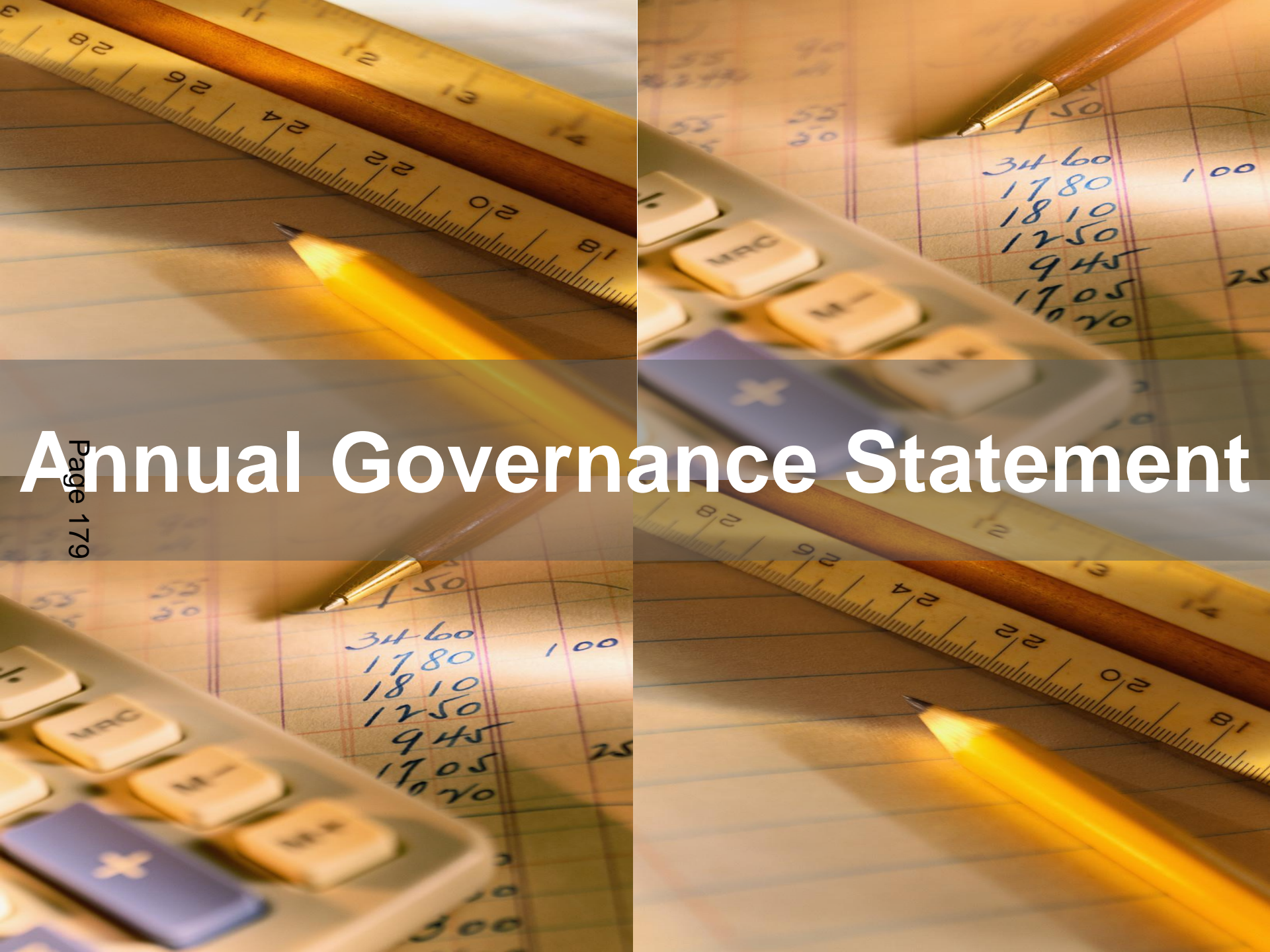
- Prepared in accordance with:
  - Local Audit and Accountability Act 2014
  - National Audit Office's Code of Audit Practice
- Evidence that the accounting statements:
  - Give a true and fair view of the financial position
  - Have been prepared properly in accordance with the Code of Practice on Local 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).



Page  
4

# 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.



# Annual Governance Statement

# 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
- <sup>Page 180</sup> The AGS should be approved in advance by Audit Committee and published alongside the Statement of Accounts
- Acknowledgement of our responsibility/purpose

# 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 Commentary
- Significant governance issues
- How we review and report

# Comprehensive Income and Expenditure Statement

# 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)

Page 183



# Movement in Reserves Statement

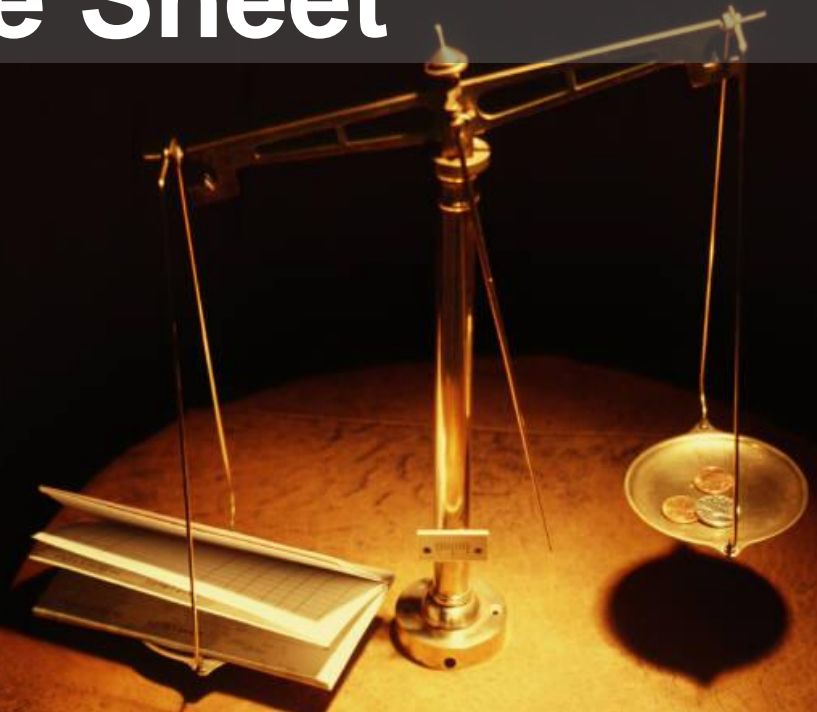


# Movement in Reserves Statement (MIRS)

- 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)



# 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

Page 187

# 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

Page 188





# Cash Flow Statement



# 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

# Notes to the Financial Statements

Page 191



# 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’

Page 192





# EFA and 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...”

Page 4 of 5  
• **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

# Statement of Accounting Policies

- Charges to Revenue for Non-Current Assets – e.g. depreciation, revaluation, impairment and amortisation.
- Council Tax and Non-Domestic Rates – we are a Billing Authority and therefore act as agents, collecting income on behalf of major preceptors and we must maintain a separate Collection Fund.
- Accounting for Council Tax and Non-Domestic Rates – sets out the rules around accounting for our share of the bills under the General and Collection funds

# Statement of Accounting Policies

- 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 and 2022 owing to COVID-19) requiring adjustment or disclosure
- Financial Liabilities – short term loans are valued in the balance sheet using outstanding principal plus accrued interest

Page 195

# Statement of Accounting Policies

- 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

Page 196

# 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

Page 197

# 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
- <sup>Page 198</sup>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.

# 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.
- Non-current assets held for sale – an asset is reclassified when it is likely to be sold and then carried at the lower of this amount and fair value less costs to sell

# 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...



# Earmarked Reserves

Wyre Council - Revised Estimate 2021/22

	Balance 31.03.22 £'000
<b>Earmarked Reserves</b>	
Building Control	54
Capital Investment	1,499
Elections	82
Homelessness	271
Insurance	138
IT	798
Land Charges	13
Leisure Management	474
Council Tax Equalisation	1,706
Non-Domestic Rates Equalisation	7,996
Performance Reward Initiatives	0
Property Investment Fund	44
Value For Money	657
Vehicle Replacement/St Clsng	724
Enterprise Zone Growth - Ring-fenced	729
<b>TOTAL</b>	<b>15,185</b>

Page 201

# 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.
- Fair Value Measurement of non-financial assets – e.g. surplus assets and investment properties. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement/reporting date.

# Notes to the Financial Statements

- Accounting Standards published prior to 01.01.22 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 and major sources of uncertainty – 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. 31.07.22 re 2021/22) are not reflected

Page 203

# Notes to the Financial Statements

- Expenditure and Income analysed by nature – breaks down costs by broad categories such as employee benefits, interest, capital charges etc.
- 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)

Page 204

# 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

# 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

Page 206

# Notes to the Financial Statements

- Heritage Assets
  - additions, disposals, revaluations and impairment losses
  - Eros and Sir Peter Hesketh-Fleetwood Statues and Civic Regalia (at 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

Page 207

# Notes to the Financial Statements

- Financial Instruments
  - shows investments, debtors, borrowings and creditors
  - interest payable/receivable
  - fair value disclosures
- Short Term Debtors – People who owe us money
- Cash and Cash Equivalents – Cash, bank account, overdraft and short term deposits
- Assets Held For Sale – newly classified
- Short Term Creditors – People who we owe money to



# Notes to the Financial Statements

- 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.

Page 209

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

# Notes to the Financial Statements

- Cash Flow Statement Operating Activities – includes interest received/paid and adjustments to surplus/deficit for non cash movements and investing/financing activities
- 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

• Page 210

# Notes to the Financial Statements

- 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
- 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.

# Notes to the Financial Statements

- 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)
- 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

page 212

# Notes to the Financial Statements

- Leases – The council does not have any finance or operating leases
- 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

Page 213

# 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.

Page 214



# Collection Fund Account



# 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)



# 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

## Glossary of Accounting Terms...

# Draft Statement of Accounts 2020/21 – Where can I find...?

<https://www.wyre.gov.uk/downloads/file/1225/statement-of-accounts-2021>

		Where?
	1. Non-Financial Performance Indicators	P18 – Life in Wyre Survey and Business Plan Performance key results
Page 218	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	P55 Statues and Civic Regalia  P73 NOTE 14 £330,950
	3. The value over which an asset disposal is treated as a capital receipt	P56 £10,000
	4. Rental income from investment properties e.g. golf clubs, the tip, ground leases, cafes, etc	P74 NOTE 15 £488,003
	5. The value of our reserves and balances	P79 NOTE 24 General Fund (Balances) £13,092,725  Earmarked Reserves £21,068,233
	6. The value of Employee Leave not yet taken to which staff are entitled	P79/82 NOTE 25 £124,496
	7. Has Fleetwood Market made a profit or a loss?	P84 NOTE 29 £114,303 (deficit when capital charges are excluded) – owing to C19

# Statement of Accounts 2020/21 – Where can I find...?

		Where?
8.	How much were Members paid in allowances?	P85 NOTE 31 £312,718
9.	The Chief Executive's salary (incl. fees and allowances)	P86 NOTE 32 £109,050
10.	Our spending on Disabled Facilities Grants and Social Capital Projects	P88 NOTE 36 REFCUS £1,346,820
11.	No. of staff made compulsory redundant	P90 NOTE 38 = 0
12.	Pension contributions paid by the council for its employees	P92 £1,410,000
13.	How much external borrowing matures between five and ten years?	P96 £1,552,000
14.	Council tax income due to be collected for the year (all preceptors)	P99 £72,026,138
15.	And how much was due to Wyre?	P99 £8,401,109 less P69 NOTE 10 Parish Precept £764,213 = £7,636,896

# 2021/22 Updates

No major changes in 2021/22 owing to COVID-19 – changes delayed until 2022/23 or beyond.

Infrastructure assets consultation awaited and may impact on how we depreciate e.g. sea walls but no 'real cash' impact.

Any questions...

# 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	
Net cash flows from Operating Activities (Note 26)	(10,156)	Three groups of transactions: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
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?

## Balance Sheet

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?

## Cash Flow Statement

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)

The Chartered Institute of Public Finance and Accountancy.  
Registered with the Charity Commissioners of England and Wales No 231060



06 June 2022

Clare James  
Wyre Council  
Civic Centre  
Breck Road  
Poulton-le-Fylde  
Lancashire  
FY6 7PU

Our Ref: PH/SK/2022

Dear Clare,

## **Audit Progress 2020/21 and 2021/22**

We are writing to you to set out the current status of our 2020/21 and 2021/22 audits.

### ***Infrastructure Assets***

Our work in relation to 2020/21 is substantially progressed; however a sector wide issue was identified earlier in the year in relation to the accounting for Infrastructure Assets, which has resulted in further delays to the issuing of our opinion. This has resulted in the Chartered Institute of Public Finance and Accountancy (CIPFA) releasing an urgent consultation on 16 May 2022 on proposed changes to the CIPFA Code of Practice in relation to the accounting for Infrastructure Assets.

Wyre Council holds a significant Infrastructure Assets balance of £73.7m and until the consultation has been closed and changes to the Code of Audit Practice have been finalised, it is not possible to establish whether material changes to this value will be required. As a result, we are required to wait for the finalisation of any changes to the Code of Audit Practice before we are able to progress this area further.

It is important to highlight that this is an area that is impacting on all Local Authorities that hold large Infrastructure Asset balances, and is specific to Wyre Council.

### ***2021/22 Audit Plan***

The audit teams main focus at the moment is finalising the 2020/21 external audit, which will also inform our 2022/23 audit planning procedures. As a result, the decision has been made to postpone the presentation of our 2022/23 audit plan until we have finalised the 2020/21 audit.

Please do not hesitate to be in touch to discuss any of the matters noted above

Yours faithfully

**Deloitte LLP**

This page is intentionally left blank





06 June 2022

Clare James  
 Wyre Council  
 Civic Centre  
 Breck Road  
 Poulton-le-Fylde  
 Lancashire  
 FY6 7PU

Our Ref: PH/SK/2022

Dear Clare,

## Audit scale fee for 2021/22 and 2022/23

We are writing to you with regard to the scale fee for the 2021/22 and 2022/23 audit work.

The audit scale fee set by Public Sector Audit Appointments Ltd. (PSAA) for the 2021/22 audit is £37,470 (2020/21: £37,470). However, it is important to note that this is the scale fee for the year, and there may be variations to this fee if additional work is required that was not foreseen at the time the scale fee was set. For 2021/22, the following factors may result in additional work and therefore variations to this fee:

- **Infrastructure assets** – The Council holds a substantial infrastructure assets balance of £73.7m on the Balance Sheet. On 16 May 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) published an urgent consultation on proposed changes to the CIPFA Code of Practice in relation to the accounting for Infrastructure Assets. This consultation has proposed significant changes to the accounting of these assets and the information that Council's will be required to hold. The impact of these changes will also be significant on the audit, and additional procedures will be required in order for us to gain assurance over the values disclosed.
- **Value for Money** – The National Audit Office (NAO) introduced a new Code of Audit Practice, which came into effect from the 2020/21 financial year. This introduced significant changes to the requirements around Value for Money (the arrangements to secure economy, efficiency, and effectiveness in the use of resources), including the need to provide a public narrative commentary against the Value for Money criteria in a new "Auditor's Annual Report" (AAR). This is additional work that has not been factored into the scale fee set out above, and as a result it is likely that scale fee variations will be necessary.

There may be additional factors that we need to take into consideration during the 2021/22 audit, which impact on the final fee. However, as these factors arise, we will highlight them immediately to the Council.

The 2022/23 scale fee has not yet been set by the PSAA. Our understanding is that the 2022/23 scale fee will be published in November 2022.

Please do not hesitate to be in touch to discuss any of the matters noted above

Yours faithfully

**Deloitte LLP**

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

This page is intentionally left blank