



## **Audit Committee Agenda**

Wyre Borough Council  
Date of Publication: 20 February 2023  
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**Audit Committee meeting on Tuesday, 28 February 2023 at 6.00 pm  
in the Council Chamber - Civic Centre, Poulton-le-Fylde**

1. **Apologies for absence**
2. **Declarations of interest**  
  
To receive any declarations of interest from any members of the Committee on any item on this agenda.
3. **Confirmation of minutes** (Pages 3 - 10)  
  
To confirm as a correct record the minutes of the last meeting of the Audit Committee held on 15 November 2022.
4. **Annual Review of the Audit Committee's Terms of Reference** (Pages 11 - 18)  
  
Report of the Corporate Director Resources (Section 151 Officer).  
Presented by the Audit and Risk Manager.
5. **Internal Audit Strategy and Audit Plan Priorities 2023/24** (Pages 19 - 28)  
  
Report of the Corporate Director Resources (Section 151 Officer).  
Presented by the Audit and Risk Manager.
6. **Annual Review of the Internal Audit Charter** (Pages 29 - 46)  
  
Report of the Corporate Director Resources (Section 151 Officer).  
Presented by the Audit and Risk Manager.
7. **Status of 2020/21 and 2021/22 Statement of Accounts** (Pages 47 - 52)  
  
Presentation by Deloitte.
8. **Auditor Appointment from 1 April 2023** (Pages 53 - 54)

Letter from the Council's new external auditors, KPMG.

**9. Site Inspections - Audit follow up**

Verbal update provided by the Audit and Risk Manager.

**10. Periodic Private Discussion with Chief Internal Auditor**

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

**11. Time and Date of next meeting**

20 June 2023.



## Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 15 November 2022 at the Council Chamber - Civic Centre, Poulton-le-Fylde.

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**Audit Committee members present:**

Councillors McKay, Ingham, A Turner, Ibison, Leech, Longton, Minto and Moon

**Apologies for absence:**

Councillors L Walmsley and Webster

**Other councillors present:**

None.

**Failure to attend:**

Councillors E Ellison, Fairbanks, George and Stirzaker.

**Officers present:**

Joanne Billington, Head of Governance and Business Support (Data Protection Officer)

Karen McLellan, Audit and Risk Manager

Clare James, Corporate Director Resources (Section 151 Officer)

Daphne Courtenage, Assistant Democratic Services Officer

No members of the public or press attended the meeting.

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**20            Declarations of interest**

None.

**21            Confirmation of minutes**

The minutes of the meeting of the Audit Committee held on the 27 September 2022 were **confirmed** as a correct record.

**22            Internal Audit and Risk Management - Progress Report**

The Corporate Director Resources submitted a report for the committee to review the progress in relation to the 2022/23 audit plan and risk management and to consider progress against the action plan resulting from the 2021/22

Annual Governance Statement (AGS).

The Audit and Risk Manager introduced the report.

She briefly explained the audit work completed to date, which could be found on pages 14-23 of the agenda pack. She highlighted to members that there were a few pieces of work that were still in draft stage, or the field work was still in progress. She also reminded the committee that the audit opinions had changed to bring them in line with other Local Authorities.

Questions were raised around the progress of Project Neptune. She responded that the construction of the buildings had been completed in July and ownership transferred to the council. The S151 Officer added that leases with prospective tenants were in negotiation, with the final rectifications to the buildings to be completed soon and it was hoped that they would be occupied shortly.

A summary of the other work completed by internal audit, found on pages 24-26 was presented. This included summaries of the updates to information governance and the anti-fraud and corruption policies. She told members that they had not received any reports of suspected money laundering to date this year, and that there had not been any declarations from staff added to the gifts and hospitality register. She informed the committee that there had been one internal investigation, which had been raised at the last meeting, and that there was a further whistleblowing call being investigated with the update on this expected at the next committee meeting.

She finished her report by explaining the details of the risk management progress report, found on page 27, the details of the Annual Governance Statement action plan and the progress of completion of these actions, found on pages 28-38.

Councillor Moon raised a question over the ongoing Beach Management Scheme, and concerns over the build-up of silt in the estuary at Fleetwood. The Audit and Risk Manager assured the committee that she would pass on the concerns to the Head of Engineering Services and ask him to email those members directly with a response.

The committee noted the report and considered the progress of the AGS action plan.

## **23 Annual Review of the Financial Regulations and Financial Procedure Rules**

The Corporate Director Resources submitted a report for the committee to review the Financial Regulations and Financial procedures Rules, and to note the proposed changes summarised in paragraph 5.1 of the report, and to approve the updated Financial Regulations and Procedure Rules set out in Appendix 1 of the supplementary agenda.

The Head of Governance and Business Support introduced the report.

She explained to members that there was a need to review the financial regulations on a regular basis, to ensure that it was fit for purpose. The amendments made were mostly to reflect changes in titles to staff and to documents, and also updates to legislation. However, it also included updates to the council's procurement procedure, which included a due diligence checklist to be completed prior to the award of contracts.

Councillor Leech raised a question on the amendment at Part 4.06.05/8, to reflect that the agreed higher limits of up to £10,000 were for 'self-authorising' of goods and services. It was explained that this had been a long-standing element of the council's policy; there were a handful of users, who were not always managers or Heads of Service, who owing to their role would regularly be inputting orders over £100 but below £10,000. The Audit Team wanted to continue with this as it improves the efficiency of the system, by giving those users a higher form of authority for those purchases.

Councillor Longton raised a question about the proposal to further exempt contract procedure rules where another public authority had, in the last twelve months, procured the same or predominately similar goods, works or services. It was explained that the council wanted to have the flexibility, should they feel the need to piggyback onto the procurement exercise of another local authority.

The committee reviewed the changes and **approved** the updates rules and procedures.

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

The Corporate Director Resources submitted a report to the committee, seeking approval of the Council's Counter Fraud Policies, namely:

- Anti-Fraud, Corruption and Bribery;
- Anti-Money Laundering;
- Whistleblowing; and
- Gifts and Hospitality and Registering Interests.

The Head of Governance and Business Support introduced the report. She explained to members that in the main the changes to the policies only contained minor updates and these amendments had been track changed and highlighted in the covering report. She stated that a more detailed review had been completed on the Whistleblowing Policy following the recent internal investigation and the staff Gifts and Hospitality and Registering Interests Policy had been amended to reflect that a declaration was required for gifts which accumulated to £25 or more over a twelve month period. This would also be reflected in the policy for Elected Members which would be updated by the Monitoring Officer in due course.

A question was raised by Cllr Ibison about examples of money-laundering in local authorities by organised crime and a general discussion followed using examples of known risk areas.

The committee **approved** the updated policies.

## **25 Annual Review of the Council's Information Governance Policies and Procedures**

The Corporate Director Resources submitted a report for the committee to approve of the council's information governance policies and procedures, namely:

- Data Protection Policy and Procedure;
- Records Management Policy; and
- Subject Access Request Procedure.

The Head of Governance and Business Support (Data Protection Officer) introduced the report.

She explained that as part of the committee's terms of reference, they had the authority to approve policies in relation to cyber security and compliance with the Data Protection Act and any policies under this.

She said that there were minor changes to the Data Protection Policy since its last review. However, the Records Management Policy had received a fundamental review since it was last presented to the committee in 2012. Councillor Longton raised a question around the use of external agencies, companies or individuals undertaking the processing of personal data on behalf of the council, and the potential for data breaches. He asked about how these external partners would demonstrate their compliancy with the ISO 27001 security standard and others when handling data.

It was explained that the external partners of the council were not always explicitly asked to demonstrate their compliance to this standard. However compliance to data protection legislation and the principles that fell under the ISO standard would be considered when reviewing any contracts or data sharing agreements. The Head of Governance and Business Support assured members that the council had never experienced a data breach of more than one user's data, and had only reported two to the ICO this year.

Councillor Ibison asked the Audit Team what they thought the biggest risk to the council was in relation to GDPR. The Head of Governance and Business Support responded that data retention, or the accuracy of information on the asset registers, were the greatest risk. This has already been added to the Strategic Risk Register and a large piece of work was to be completed in January 2023.

The committee **approved** the updated policies.

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

The Corporate Director Resources submitted a report to consider CIPFA's

Self-Assessment of Good Practice contained within the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police 2018' and identify the actions necessary to ensure that the Audit Committee met best practice guidance and provided value to the authority.

The Audit and Risk Manager introduced the report. She informed the committee that she had completed the self-assessment on their behalf and opened the checklist up to the floor for consideration and further discussion.

She told members that she believed there to be one area requiring improvement, which was regarding the size and membership of the committee. The current size of the committee (fourteen members), was considered by CIPFA to be too large, and a review on this was recommended for 2023 prior to the election. Consideration was also being given to appointing an independent member/s. In addition, she told members that since completing the checklist CIPFA had revised their guidance for Audit Committee members, which meant a further review of the committee's performance following the elections in May 2023 would need to be completed.

Questions were raised by Councillor Leech over the remunerations for independent members and about the reduced size of the committee. The Chair responded that the reduced size of the committee had been a point of discussion for a while, and had felt that the last meeting, which had seven members present, had worked well. Some members raised concerns over attendance with a reduced committee; however, the Corporate Director Resources responded that Full Council had approved the ability for members to 'substitute' their place for another councillor should they be unable to attend (at a meeting in October 2021).

The committee considered the report.

## **27 Appointment of the Council's External Auditors from 2023/24**

The Corporate Director Resources gave a verbal update to the committee on the appointment of the council's external auditors from 2023/24.

She reminded members that the council had opted into the Public Sector Audit Appointment (PSAA) scheme in October 2021. This scheme would independently carry out the procurement of audit services for opted-in local government bodies for the audit of the accounts from April 2023. After this procurement exercise, it had been announced that the council's auditors from the 2023/24 accounts audit would be KPMG, who had been the council's external auditors prior to Deloitte.

Members asked about changes to the audit fee. The Corporate Director Resources explained that she had mentioned this in the recorded video on the Medium Term Financial Plan, which could be found on the Councillor Portal. There would be a significant increase in the external audit fee of around 150%.

## Statement of Accounts (pre-audit) 2021/22

The Corporate Director Resources had submitted the Statement of Accounts 2021/22, for the committee to approve the council's published accounts and the final capital and revenue position for the financial year 2021/22 at the last meeting. Owing to having to self-isolate, the Corporate Director had attended virtually, and felt that it would have affected the quality of discussion on the item. It had been proposed that this item would be deferred until this meeting, with a question and answer document circulated in the meantime to give the committee the opportunity to thoroughly review the document and the accounts prior to this meeting.

The Corporate Director Resources reminded members that the draft statement of account could be subject to change, after the finalisation of the audit. She asked members, as she noted they had been concerned over the quality of their scrutiny of the accounts at the previous meeting, how they had found the exercise of scrutinising the accounts and the additional question and answer document in their own time.

Members mentioned how they had felt comfortable in reading the reports in their own time as it allowed them to absorb the information more than going through everything in one meeting; however some members highlighted the large volume of information they had been required to go through. Some thought that an in-person presentation had a greater impact.

Following discussion, the committee **approved** the published draft Statement of Accounts and the final capital and revenue position for the financial year 2021/22.

After the approval of the accounts, The Corporate Director Resources also updated the committee on where the accounting work was up to. She said that the majority of the work for the 2020/21 audit had been completed, with additional resources brought in to deal with the backlog. However, the issue of the infrastructure assets was still ongoing, and she was not optimistic that it would be solved before Christmas.

The external auditor from Deloitte, Stuart Kenny, told the committee that updates to the way auditors dealt with local authority infrastructure assets was going to the committee stage in the House of Commons in November, with the hope it would be taken back to the Commons and agreed late December. However, this was unlikely to happen and they would also have to await guidance from CIPFA which had now been delayed to January 2023. He did tell the committee that he believed that the rest of the audit work was progressing well, with the infrastructure assets being the only work not completed.

In terms of the 2021/22 audit, no work had been started on this yet. They were hoping to push this into the New Year, to complete by the end of March – particularly with the hope that they would have updated guidance on infrastructure assets by then, and go into the next financial year with a clean slate. He believed that they had the resources to make this realistic, but



responded to a question by the Chair that their resources issue came down to capacity, but this could not be solved until the issue of infrastructure assets had been dealt with.

**29 Any other business**

None.

**30 Date of next meeting**

It was **agreed** that the next meeting of the Audit Committee would be held on Tuesday 28 February 2023 at 6pm in the Council Chamber.

The meeting started at 6.01 pm and finished at 7.14 pm.

**Date of Publication:** XXX

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Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	28 February 2023	

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

### 1. Purpose of report

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

### 2. Outcomes

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

### 3. Recommendations

- 3.1 That the Audit Committee considers the previously agreed terms of reference attached at Appendix 1 and agree that the core functions documented at 7.02 accurately reflect the role of the committee.
- 3.2 That the terms of reference be recommended to Full Council for approval.

### 4. Background

- 4.1 Audit Committees are a key component of corporate governance. Their overall purpose being to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 4.2 In October 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) refreshed their guidance for Audit Committees (Audit Committees Practical Guidance for Local Authorities and Police – The Audit Committee Member in a Local Authority). In addition, a further supplement (Guiding the Audit Committee) was also published to support officers with responsibility for guiding the Audit Committee.
- 4.3 In accordance with the guidance an annual review of the committee's terms of reference should be completed and furthermore the guidance provides

local authorities with a suggested terms of reference setting out the purpose and the core functions required.

## 5. Key Issues and proposals

**5.1** Since its last review in March 2022 the terms of reference at Appendix 1 have been amended to reflect the new refreshed guidance from CIPFA issued in October 2022.

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

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

### Other risks / implications: checklist

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

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

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

### Processing Personal Data

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

report author	telephone no.	email	date
Karen McLellan	01253 887586	<a href="mailto:Karen.mclellan@wyre.gov.uk">Karen.mclellan@wyre.gov.uk</a>	14.02.2023

### List of background papers:

name of document	date	where available for inspection
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None		
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**List of appendices**

Appendix 1 – Audit Committee Terms of Reference (extract from the Constitution; Article 7)

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

### **7.01 Purpose**

The audit committee is a key component of Wyre Council's ~~corporate~~ governance ~~framework~~. It provides an independent ~~and~~ high-level focus on the ~~adequacy of governance, risk and control arrangements~~. ~~The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.~~ ~~audit, assurance and reporting arrangements that underpin good governance and financial standards.~~

The ~~purpose of an~~ Audit Committee ~~has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.~~ ~~is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of the authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.~~ ~~It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.~~

### **7.02 Core Functions**

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

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

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- ~~To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the Audit and Risk Manager's/Head of Internal Audit's annual audit opinion.~~
- ~~To consider whether the annual evaluation for the AGS fairly concluded that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.~~
- ~~To consider the reports on the effectiveness of internal controls and monitor the implementation of agreed actions.~~
- ~~To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.~~
- To consider the council's arrangements to secure value for money and review assurances and assessment on the effectiveness of these arrangements.
- To monitor the effective development and operation of risk management in the council and monitor progress in addressing risk-related issues reported to the committee.
- ~~To monitor counter-fraud, actions and resources and review the assessment of fraud risks and potential harm to the council from fraud and corruption.~~
- ~~To review the effectiveness of the council's whistleblowing arrangements.~~

- To review the governance and assurance arrangements for significant partnerships or collaborations.

### Internal Audit

- To approve the internal audit charter.
- To review proposals made in relation the appointment of external providers of internal audit services and to make recommendations ~~on their effectiveness.~~
- To approve the risk-based internal audit plan, including internal audit's resource requirements, ~~and~~ the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the [Audit and Risk Manager](#) to determine if there are any inappropriate scope or resource limitations.
- To ~~consider any impairments to the independence or objectivity of the Audit and Risk Manager arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments. approve and periodically review safeguards to limit impairments to the independence or objectivity of the internal audit team.~~
- ~~To consider reports from the Audit and Risk Manager/Head of Internal Audit on internal audit's the performance during the year, including the performance of external providers of internal audit services. These will include: -This will include an update on the implementation of agreed recommendations.~~
  - o ~~updates on the work of internal audit, including key findings, issues of concern and actions in hand as a result of internal audit~~
  - o ~~regular reports on the results of the Quality Assurance Improvement Programme (QAIP)~~
  - o ~~reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), concerning whether the non-conformance is significant enough that it must be included in the AGS.~~
- ~~To consider the Audit and Risk Manager's Head of Internal Audit's annual report, including:~~
  - o ~~the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)~~
  - o ~~the opinion of the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).-~~
- To consider summaries of specific internal audit reports as requested.

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- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement ~~where required to do so by the Accounts and Audit Regulations, and also any external assessments of effectiveness; i.e. the quality assessment of internal audit that takes place at least once every five years in accordance with the Public Sector Internal Audit Standards.~~
- To provide free and unfettered access to the Audit Committee Chair for the ~~Audit and Risk Manager~~ Head of Internal Audit, including the opportunity for a private meeting with the committee.
- To receive reports outlining the action taken where the ~~Audit and Risk Manager~~ Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.

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### External Audit

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

### Financial Reporting

- To review the annual Statement of Accounts on behalf of Full Council in accordance with the Accounts and Audit Regulations 2015. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To monitor the arrangements and preparation for financial reporting to ensure that statutory requirements and professional standards can be met.



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

### Accountability Arrangements

- ~~To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions, prepare an annual report to Full Council setting out the committee's work and performance during the year in relation to the terms of reference and to refer to Council any matters it shall see fit.~~
- To report to Full Council on a regular basis on the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.
- To review any issue referred to it by the Chief Executive, Monitoring Officer or any Council body.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

### Other core functions

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

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Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	28 February 2023	

<b>INTERNAL AUDIT STRATEGY AND AUDIT PLAN PRIORITIES 2023/24</b>
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**1. Purpose of report**

1.1 To review the Internal Audit Strategy and Audit Plan Priorities for the 2023/24 financial year.

**2. Outcomes**

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

**3. Recommendation**

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

**4. Background**

4.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.2 Professional standards for Internal Audit in local government specify that “The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.” The standards also specify that “The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must be incorporated or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.”

4.3 In accordance with the standards an Internal Audit Strategy has been developed and approved by the Audit Committee and is incorporated into the risk-based 2023/24 Audit Plan Priorities. Both documents are attached at Appendix 1 and 2.

- 4.4** To enable Internal Audit to be flexible and responsive to emerging risks across the organisation, quarterly audit planning will continue during 2023-24. The plan attached at Appendix 2 is split into three main sections, the first section details other work and responsibilities that lie with the Audit and Risk Team. The second section lists the audit work that will need to take priority in quarter one (April - June 2023). The third section documents potential forthcoming priorities for quarter's two to four (July 2023 – March 2024). The plan will be reviewed on a quarterly basis and audits will be added and removed according to risk. The Audit Committee will receive regular updates on how work is progressing and if any considerable changes need to be made to the original agreed plan.
- 4.5** Whilst the plan for 2023/24 up to and including July 2023 will be completed in-house, additional resources will need to be sourced to complete this plan owing to the planned phased retirement of the Audit and Risk Manager. The Audit Committee will be kept informed of any changes to the resources within the team.
- 4.6** The overall planning for 2023/24 is based on an estimated available resource of 440 days, this being delivered by the two in-house auditors. Assurances sought from the service assurance mapping statements and the strategic and operational risk registers will allow confidence to be obtained that audit coverage is still sufficient to be able to deliver an overall opinion at year end.

## 5. Key Issues and proposals

- 5.1** The Internal Audit Strategy and Audit Plan Priorities for 2023/24 is attached at Appendix 1 and 2.

<b>Financial and legal implications</b>	
Finance	The Audit Plan Priorities for 2023/24 are expected to be delivered within the timescales and previously agreed staffing budget.
Legal	This will ensure good governance and probity.

### Other risks / implications: checklist

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

<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
Karen McLellan	01253 887586	Karen.mclellan@wyre.gov.uk	8 February 2023

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

### **List of appendices**

Appendix 1 - Internal Audit Strategy

Appendix 2 - Audit Plan Priorities 2023/24

## Internal Audit Strategy

### 1.0 Internal Audit Strategy

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

### 2.0 Service Purpose

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

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

### 3.0 Strategic Aims and Objectives

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

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

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

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

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

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

**AUDIT PLAN PRIORITIES – 2023/24**

This plan will be reviewed on a quarterly basis following examination of the assurance mapping declarations, risk registers and any referrals received.				
<b>AUDIT PLAN PRIORITIES 2023/24</b>	<b>Detailed Rationale</b>	<b>Date Added</b>	<b>Source</b>	<b>Links to Risk Registers / Corporate Plan / Service Plans</b>
<b>General / Meetings / Non-Chargeable</b>				
Internal Audit Planning, Management and Audit committee work	Ongoing review of the audit plan, completion of reviews and completion of audit committee reports.	Jan-23	M	Mandatory
Advice and assistance		Jan-23	M	Mandatory
<b>Audit &amp; Risk Team - other responsibilities</b>				
Preparation for the Internal Audit PSIAS peer review	The Public Sector Internal Audit Standards (PSIAS) require an external assessment of the internal audit function to be completed every 5 years. The council's review is due to be completed during June - July 2023.	Jan-23	M	Mandatory
Management of Insurance and Business Continuity	Management of the council's insurance portfolio, enquiries and claims. Review of Business Continuity Plans and testing.	Jan-23	S	N/A
Risk Management - ongoing development and training	Facilitation of strategic and operational risk workshops and ongoing monitoring of the GRACE risk management system. Amended audit plan if and when significant risks materialise.	Jan-23	RB	Strategic and Operational Risk Registers
National Fraud Initiative (NFI) - Annual Council Tax Single Persons Discount (SPD) and Electoral Register upload	Quarter 3 - Internal Audit will collate and upload the 2022/23 data for the SPD exercise in order to comply with the requirements of the mandatory annual NFI data matching exercise.	Jan-23	M	Mandatory
Insurance Renewal	Pre-tender support and post tender assurance.	Jan-23	RB	Operational Risk Registers
<b>Quarter 1 - Work carried forward from 2022/23</b>				



Grant schemes compliance audits	The council have received various pots of grant funding for a number of projects / schemes, including the government's levelling up agenda. Where the council is the accountable body, assurances are required that the terms and conditions of the grant funding are complied with e.g. the holiday scheme.	Jan-23	RB	Strategic Risk Registers
Building Maintenance framework	Review of the new re-active repairs / maintenance framework used by the Building Maintenance Team to review the ongoing compliance with the terms and conditions of the framework.	Jan-23	RB	Operational Risk Registers
Election Accounts	A post assurance review of the elections accounts completed for the County Council and Police and Crime Commissioners elections in May 2021 to identify any control weaknesses which require consideration when compiling the accounts for the forthcoming 2023 elections.	Jan-23	M	Mandatory / Operational Risk Registers
Beach Management Scheme	Internal Audit will continue to be part of the project group in a business assurance role until the project is completed in 2026.	Jan-23	S	Business Plan Project
<b>Quarter 1 - Audit Plan Priorities 2023/24 (April - June 2023)</b>				
UK Shared Prosperity Fund (UKSPF)	Review of the council's 3 year UKSPF Investment Plan and utilisation of the HM Government funding of £3.9m.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Climate Change (position statement)	Review of the council's climate change action plan and achievement of success measures.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Information Asset Registers	Comprehensive review of the council's Information asset registers.	Jan-23	RB	Strategic Risk Register
Marine Hall / Thornton Little Theatre	Utilisation of assets / on-going monitoring of the control processes following the work completed in quarter 3 of 2022/23.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Household Support Fund / CHIL (Cosy Homes in Lancashire)	Review of the use of funding received from the Government's Household Support Fund, which has been established to help residents on low incomes with the essentials over winter.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
<b>Quarter 2-4 (July 23 – March 24)</b>				

Key Financial System control matrices (Revenues and Benefits)	A suite of control matrices are to be developed containing the key controls of all the revenues and benefits financial systems (Council Tax, Business Rates, Housing Benefits and Council Tax Support). These matrices will identify the key risks within these systems to identify the audit work required in these areas going forward.	Jan-23	KFS	Mandatory
Recruitment and Selection	Audit to include advertising, application and selection process, new starter on-boarding processes and salary packages.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Asset Management	Following a significant loss in staff an audit of the controls in place with the Estates and Building Maintenance Team is required. The review will covers the controls around asbestos, legionella, fire and asset inspection regimes.	Jan-23	RB	Operational Risk Registers
Hybrid Working Arrangements (Post Pandemic)	Audit to include Crown recording and manager monitoring arrangements.	Jan-23	RB	Operational Risk Registers
Election Accounts	Local Elections - May 2023. The audit to include a review of the changes following the Election Act 2022 and the council's use of new burdens funding.	Jan-23	M	Mandatory / Operational Risk Registers
Planning Service	A piece of work is required within the Planning Service to ensure sufficient controls are in place following a recent re-structure, a change in Head of Service and the loss of a number of key staff.	Jan-23	RB	Operational Risk Registers
Assurance mapping exercise	To assist with the development of the audit plan for 2024/25 and ensure resources are maximised, assurance mapping will be completed with each council service to identify other sources of assurance received.	Jan-23	M	Compliance with CIPFA's Delivering Good Governance Framework / Local Government Application Note and the Public Sector Internal Audit Standards
Disaster Recovery / Cyber Security	A review of the council's Disaster Recovery plan / Cyber Security control measures and testing of these.	Jan-23	RB	Strategic Risk Registers
<b>Annual Follow-up Work (Q1-4)</b>				
Data Protection and Information Security	In line with the Audit Charter, a follow-up review will be carried out to ensure all audits receiving a 'Limited' or 'Minimal' assurance opinion have implemented the required actions in order to raise	Jan-23	M	Mandatory
Site Inspections		Jan-23	M	Mandatory

KFS - Payroll / Main Accounting	the assurance opinion to an acceptable level. Where the opinion remains the same a further follow up will be completed within 3 months. Should the opinion remain the same after a second follow up, a referral to the Audit committee will be made.	Jan-23	M	Mandatory
<b>Ongoing Investigations / Actions</b>				
CCTV - Fleetwood Market	A follow up review is required of the actions arising from a review by the Data Protection Officer of the Fleetwood Market CCTV system.	Jan-23	M	Mandatory
<p><b>Source Key:</b></p> <p><b>R</b> = Referral  <b>KFS</b> = Key Financial System  <b>M</b> = Mandatory  <b>RB</b> = Risk Based  <b>S</b> = Support / Assurance work</p>				

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Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	28 February 2023	

<b>ANNUAL REVIEW OF INTERNAL AUDIT CHARTER</b>
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## 1. Purpose of report

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

## 2. Outcomes

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

## 3. Recommendation

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

## 4. Background

4.1 Specific requirements detailed in the Accounts and Audit Regulations 2015 require a relevant body to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account PSIAS or guidance'. From 1 April 2013 the standards and guidance were defined in the PSIAS and CIPFA's Application Note which provides guidance on the specific requirements for local government internal audit services.

4.2 The Application Note documents a number of specific local government requirements, including the requirement to complete an extensive checklist for assessing compliance with the PSIAS. One of the mandatory requirements within the checklist is to have an Internal Audit Charter in place.

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

**Key Issues and proposals**

**5.1** Since the Audit Charter was last approved in March 2022, the following changes have been made;

- Independence and Objectivity - inclusion of the need to seek reciprocal peer review arrangements to maintain independence and objectivity where systems and processes are designed / managed by the Audit and Risk Team.
- Resourcing and Staffing - change of wording to reflect the availability of the ICT audit services framework with MIAA managed by Lancashire County Council should additional expertise be required to review any high risk areas identified in the ICT risk register;
- Communicating results - update of the Quality Assurance Improvement Programme (QAIP) – removal of the 4:4:2 reporting timescales as they no longer reflect current practice.

**5.2** The Internal Audit Charter and Code of Ethics are included for approval at Appendix 1 and 2. The document has been track-changed for convenience.

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

**Other risks / implications: checklist**

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

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

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

health and safety	x
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data protection	x
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### **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 887586	dawn.allen@wyre.gov.uk	2 February 2023

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

### **List of appendices**

Appendix 1 – Internal Audit Charter

Appendix 2 – PSIAS Code of Ethics



## **Internal Audit Charter – February 2023**

### **Introduction**

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

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

### **Definition of Internal Audit**

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

### **Mission of Internal Audit**

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

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



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

### **Responsibilities**

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

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

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

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

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

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

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

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

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

### **Organisational Roles and Relationships**

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

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

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

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

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

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

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

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

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

- Ensure that duplication of work is minimised;
- Consider joint delivery;
- Determine the level of assurance that can be obtained from their work, and;
- Review the reliance that can be placed on that assurance as part of the Audit and Risk Manager's overall opinion on the control environment included in the Internal Audit Annual Report.

## **Independence and Objectivity**

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

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

Where the Audit and Risk Management Team are responsible for the design and management of any systems and processes, a reciprocal peer review will be sought in order to maintain independence and objectivity.

## **Reporting Lines**

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

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

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

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

## **Due Professional Care and Ethics**

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

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

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

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

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

#### **Internal Assessment**

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

#### **External Assessment**

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

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

## **Strategy and Planning**

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

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

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

## **Resourcing and Staffing**

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

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

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

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

## **Scope of Internal Audit Work**

Using a systematic, disciplined and risk-based approach, the scope of internal audit work covers all of the council's governance arrangements, procedures for ensuring the effective management of all significant risks and ensuring regularity in all its financial areas, including value for money.

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

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

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

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

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

- Embed risk management – including the identification and assessment of significant risks, risk responses and communication of relevant risk information to enable staff and management and the board to carry out their responsibilities;
- Carry out value for money studies, and;
- Verify performance information and published national and local indicators.

### **Consultancy work**

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

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

### **Engagement planning**

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

### **Performing the engagement**

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

### **Communicating results**

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

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



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

In accordance with the Quality Assurance and Improvement Programme, all audit review work (which includes scoping meetings, fieldwork, reporting and follow-up work) will be conducted and communicated in a prompt and timely manner and in accordance with the timescales agreed with the auditees.

The reports are distributed as follows;

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

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

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

The Audit and Risk Management Section is not solely responsible for the prevention or detection of fraud, bribery and corruption. It will, however, remain alert to risk and

exposures both internal and external to the organisation. Close involvement with the national anti-fraud agencies and participation in the National Fraud Initiative will assist this process.

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

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

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

### **Introduction**

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

### **Purpose**

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

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

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

### **Applicability and Enforcement**

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

## **Fundamental Principles**

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

### **1. Integrity**

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

Internal Auditors:

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

### **2. Objectivity**

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

Internal Auditors:

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

### **3. Confidentiality**

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

Internal Auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties; and
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

#### **4. Competency**

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

Internal Auditors:

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

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# Wyre Council Status Report

Issued 20 February 2023 for the Audit Committee meeting on 28 February 2023

# Status update

## The key messages:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.

A strong understanding of your internal control environment.

- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our update report to the Audit Committee of Wyre Council (the Council) for the 2020/21 audit. The scope of our audit was set out within our planning report presented to the Committee in June 2021. I would like to draw your attention to the key messages of this paper:

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### Status of the audit

Our audit is substantially progressed subject to completion of the following principal matters:

- Completion of final reviews and quality checks, including the resolution of any queries that arise;
- Documentation and review of property valuation testing;
- Documentation and review of pension liability testing;
- Infrastructure assets, updated disclosure work (see page 3);
- Whole of Government Accounts (WGA) work (see page 3);
- Reviews of updated financial statements;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2021 through to signing.

Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

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### Value for Money

We have not identified to date any risks of significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources. However, our work is still ongoing and we will inform the Audit Committee of any matters that do arise as part of our final reporting.

Our opinion will state that work is on-going and we will provide our final view on the Council's arrangements in our Auditor's Annual Report, which will be completed within three months of the date of the issue of the audit opinion in line with the timeframe specified in the National Audit Office Auditor Guidance note 3.

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# Status update (continued)

## The key messages:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.

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A strong understanding of your internal control environment.

- A well planned and delivered audit that raises findings early with those charged with governance.

### Infrastructure assets

As highlighted in the update report we presented to the June 2022 Committee, a sector wide issue in relation to the accounting for infrastructure assets was identified in early 2022. Following a series of discussions at national technical groups, which were attended by Deloitte, and also several consultations that were overseen by CIPFA and DLUHC, the following has now been issued:

- **CIPFA Code Update**

On 29 November 2022 the CIPFA code was updated to remove the requirement for authorities to disclose gross book value and accumulated depreciation for infrastructure assets.

- **Statutory Instrument**

A statutory instrument was laid before parliament on 30 November 2022, and came into effect on 25 December 2022, with the main purpose to allow authorities to make the assumption that any infrastructure asset additions recognised are replacing components that have been fully depreciated.

- **CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution**

This was released 12 January 2023 and provides example disclosures and examples of how both the Statutory Instrument and the Code update impact on the accounting for infrastructure assets.

Our work over the revised infrastructure asset disclosures is ongoing, including our review and challenge of the useful economic lives applied to infrastructure assets by the Council.

We will report any significant issues identified back to the Audit Committee as part of our final reporting.

### WGA

We are required to perform testing on the Council's WGA submission, checking its consistency to the audited financial statements and reporting our findings to the National Audit Office (together with our audit opinion and key issues from our audit). Although the OSCAR system has now closed the NAO still require us to complete an assurance statement in relation to the Council's 2020/21 Whole of Government Accounts submission.

However, the Council falls below the new threshold of £2bn, and as a result the level of work required will be minimal.

### Duties as public auditor

We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

## What we report

Our report is designed to help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations to communicate with you regarding your oversight of the financial reporting process and your governance requirements.

## Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

## What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

## Other relevant communications

We will update you if there are any significant changes to the audit plan.

**Deloitte LLP**

Newcastle Upon Tyne | 20 February 2023

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Our ref DC-WBC-01  
Contact Debra Chamberlain  
07917 558679

7 February 2023

Dear Clare

**Auditor appointment from 1 April 2023**

Following the recent procurement exercise undertaken by Public Sector Audit Appointments Limited (PSAA), I am writing to you to introduce myself and KPMG LLP as your new external auditor for the 2023/24 financial year onward.

KPMG has a long and proud history of delivering external audit to local government bodies and other entities in the wider public sector. We are committed to delivering high quality audit work, providing independent challenge but also developing positive professional relationships. Through constructive challenge and clear reporting, we see external audit as a fundamental role in supporting the sound governance of the sector and safeguarding taxpayers' money.

I believe you will value our external audit service because:

**We have a high-performing team with relevant experience.** We have a team that understands local government bodies and the wider public sector environment. Many of our team have had experience of auditing in the sector prior to the end of our previous PSAA contract. My priority as engagement leader is to ensure the KPMG audit team responsible for your audit is able to quickly develop constructive working relationships with your teams and deliver a robust audit which complies with legislation and audit standards, whilst also being pragmatic and fair. We will also work with you and your outgoing auditors to help minimise any disruption to your teams and to ensure appropriate knowledge transfer.

As a national Public Sector practice, with in-depth knowledge of Local Government and police, we are well equipped to audit Wyre Borough Council and are familiar with the legislative requirements and specific Code of Practice requirements such as Value for Money arrangements reporting and the wider responsibilities under the Local Audit and Accountability Act 2014.

In addition, the specialists who assist us on our audits – for example valuations, pensions, tax, forensics, and IT– all have specific public sector audit knowledge and experience.

**We deliver quality audits.** At KPMG we take great pride in delivering high quality audits. This is demonstrated in the commentary on KPMG from the FRC (Financial Reporting Council) in their latest report 'Major Local Audits – 2021/22 Audit Quality Inspection' ([Major Local Audits \(frc.org.uk\)](https://www.frc.org.uk/~/media/2022/07/2022-23-major-local-audits-audit-quality-inspection)), which is their review of public sector audits focused on the health and local government sectors.

**We use technology to focus our challenge and enhance our insight.** We have invested significantly in a modern, fit for purpose audit delivery platform which is designed to align to auditing standards and embeds the latest computer-assisted auditing technology. Our new audit platform allows us to use a range of cutting-edge data and analytics tools which enable us to provide insight and challenge from a new perspective.

Whilst our formal audit appointment will only commence from 1<sup>st</sup> April 2023, we would be happy to arrange an introductory meeting when convenient to discuss our appointment and understand more about your organisation. Where relevant we can also discuss the status of your ongoing audits and develop a plan accordingly. In the meantime if there is anything you would like to discuss with me (or KPMG) please do not hesitate to contact me on: 07917 558679.

Yours sincerely,



Debra Chamberlain

[Debra.chamberlain@kpmg.co.uk](mailto:Debra.chamberlain@kpmg.co.uk)