



Audit and Standards Committee Agenda

Wyre Borough Council
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**Audit and Standards Committee meeting on Tuesday, 20 June 2023 at
6.00 pm
in the Council Chamber - Civic Centre, Poulton-le-Fylde**

- 1. Election of Chair 2023/24**
- 2. Election of Vice-Chair 2023/24**
- 3. Apologies for absence**
- 4. Declarations of interest**

To receive any declarations of interest from any members of the Committee on any item on this agenda.
- 5. Confirmation of minutes** (Pages 3 - 10)

To confirm as a correct record the minutes of the last meeting of the Audit Committee held on 28 February 2023.
- 6. Review of Effectiveness of Internal Audit** (Pages 11 - 80)

Report of the Corporate Director Resources (Section 151 Officer) Clare James, presented by the Audit and Risk Manager.
- 7. Internal Audit Annual Report 2022/23** (Pages 81 - 132)

Report of the Corporate Director Resources (Section 151 Officer) Clare James, presented by the Audit and Risk Manager.
- 8. Draft Annual Governance Statement 2022/23** (Pages 133 - 156)

Report of the Corporate Director Resources (Section 151 Officer) Clare James, presented by the Head of Governance and Business Support.

9. Statement of Accounts (pre-audit training)

(Pages 157 -
248)

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

10. Audit Progress 2020-21 and 2021-22 (including 2022-23 Audit Plan update)

Verbal update from the Council's external auditors – Deloitte.

11. Time and date of the next meeting

Tuesday 25 July 2023 at 6pm in the Council Chamber.



Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 28 February 2023 at the Council Chamber - Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillors McKay, Ingham, Ibison, Leech, Moon, Webster, Baxter and Rendell

Apologies for absence:

Councillors A Turner, George, Longton, Minto and Stirzaker

Failed to attend or tender apologies for absence

Councillors Fairbanks

Other councillors present:

None.

Officers present:

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

No members of the public or press attended the meeting.

The committee agreed that as the Chair was running late, the Vice-Chair Tom Ingham would open the meeting.

31 Declarations of interest

None.

32 Confirmation of minutes

The minutes of the last meeting of the Audit Committee held on 15 November 2022 were confirmed as a correct record.

33 Annual Review of the Audit Committee's Terms of Reference

The Corporate Director Resources (S151 Officer) submitted a report to the committee for the periodic consideration of its Terms of Reference in accordance with best practice guidance.

The Audit and Risk Manager introduced the report. She reminded members that this was a document reviewed annually, outlining the committee's core responsibilities and functions. She explained to the committee that in October 2022, CIPFA refreshed their guidance for audit committees as well as officers involved in guiding the committee. Because of this, there had been some suggested amendments made to the wording of the terms of reference. No other responsibilities had been added or taken away from the committee.

She also reminded members that with the elections in May 2023, the committee membership was subject to change and suggested the Chair repeat the approach taken before the 2019 elections of producing an outgoing statement for new committee members to give some assurance on the draft content of the Annual Governance Statement as the potentially outgoing Chair. This point was reiterated by the Corporate Director Resources.

Councillor Leech commented that given the political makeup of the members in attendance that evening, that it be noted for future meetings for the purpose of checks and balances that those not from the majority group ought to be in attendance. Councillor Moon suggested that the attendance record of the committee be noted in the next periodic report to Full Council, and mentioned that the committee had experienced low turnout from all party groups.

The Head of Governance and Business Support mentioned to the committee, given its two new members Councillors Baxter and Rendell, that full training for committee members would happen following the elections with the pre-audit committee session scheduled for 20 June 2023. If either councillor had any questions on the reports of this meeting, they were invited to get in touch with the officers.

Following discussion, it was proposed by Councillor Moon and seconded by Councillor Ibison that the committee agree its amended core functions and recommend them to Full Council. It was resolved to recommend the updated terms of reference of the Audit Committee to a future meeting of Full Council.

34 Internal Audit Strategy and Audit Plan Priorities 2023/24

The Corporate Director Resources (S151 Officer) submitted a report for the Audit Committee to review the Internal Audit Strategy and Audit Plan Priorities for the 2023/24 financial year.

The Audit and Risk Manager introduced the report.

She informed the committee that the strategy was issued to comply with the Public Sector Internal Audit Standards (PSIAS), and the Internal Audit Charter. This strategy would set out how the internal audit service would be

delivered, its aims and objectives achieved and their responsibility for the identification of risks. She explained how the annual audit plan was put together, via the strategic and operational risk workshops, service mapping statements and key financial system risk control matrices. This would then detail the work required by Internal Audit to provide assurance in those areas where key risks had been identified. .

She told the committee that they were to continue with their quarterly planning approach for the year 2023/24, rather than the production of an annual plan. She directed the committee to page 25 of the agenda pack, which showed the Quarter 1 priorities for April – June 2023, with page 26 showing the future priorities for Quarters 2-4. Audits would be added to or removed from the plan based on risk after every quarterly review.

The Audit and Risk Manager informed the committee that the 2023/24 plan, up to and including July 2023, would be completed in-house, but with her planned phased retirement, any additional resources that would be needed going forward over the next few years would be added as required. The ICT Support Framework that was managed externally by Merseyside Internal Audit Services was still available to the council if they required additional resources in this area.

Based on this approach, she said that she was confident that their audit coverage was sufficient for her to provide an overall opinion at year end.

Councillor Moon raised a question on the audit plan priority of Planning Services, mentioned at page 26 of the agenda pack, and commented on the recruitment issue that the Planning department were facing both at the council and nationally. He asked how the council could combat this recruitment issue. He was also happy that the Beach Management Scheme was to continue to be reviewed until its completion.

Councillor Baxter raised a question in regards to the hybrid working arrangements (post pandemic) as detailed on page 26 of the agenda pack. He asked about how staff members were recorded when working from home. The Audit and Risk Manager explained the flexi time system and the Crown recording system to the committee; all staff members were required to log in when working from home, as they do when clocking in following their arrival at their place of work , and to log break times and when finishing the working day.

Councillor Ibison also raised a question on this issue, and asked whether they had adapted an existing system or whether this was new post pandemic. It was confirmed that this was an existing system and would reflect staff members' working patterns. The same principles and standards would apply to working from home, as when staff worked in the building.

Following discussion, it was proposed by Councillor Moon and seconded by Councillor Ibison for the committee to agree the Internal Audit Strategy and Audit Plan Priorities for 2023/24. It was resolved to agree the recommendations.

Annual Review of the Internal Audit Charter

The Corporate Director Resources (S151 Officer) submitted a report for the Audit Committee to agree the Internal Audit Charter and Code of Ethics, to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) and the checklist contained within the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note constituting 'proper practices' as defined in the Accounts and Audit Regulations 2015.

The Audit, Risk and Performance Lead introduced the report. She told the committee that this was the annual review of the Internal Audit Charter, which was a document that was required in order to demonstrate their compliance with PSIA standards and so was required to be presented to the committee for approval. The Charter set out the purpose of Internal Audit, its authority and responsibilities and its code of ethics stipulating their conduct.

She pointed the committee in the direction of the three changes as set out at para 5.1 of the report.

The first change was the addition of a paragraph which set out that where needed, to maintain independence and objectivity within systems and processes designed by the Audit and Risk Team, they would seek reciprocal peer review arrangements with other local authorities.

The second change was a change of wording to reflect that, where needed, the team could draw on the ICT audit services provided by the Merseyside Internal Audit Framework managed by Lancashire County Council.

The final change was the removal of the 4:4:2 reporting timescales within the Quality Assurance Improvement Programme as they no longer reflected current practice.

Following discussion, it was proposed by Councillor Moon and seconded by Councillor Ibison that the committee agree the recommendation. It was resolved to agree the Internal Audit Charter and Code of Ethics.

Status of 2020/21 and 2021/22 Statement of Accounts

Stuart Kenny, the external auditor from Deloitte, attended the meeting virtually to present their update on the 2020/21 and 2021/22 audit to the committee.

He explained to the committee that the purpose of the attached report was to give them an update on the status of the 2020/21 audit and would also give a brief update on the 2021/22 audit.

He said that they were still progressing with the 2020/21 audit and hoped to complete all their audit procedures by the end of March 2023. In relation to 2021/22, he said that they had commenced their procedures and were looking to finalise as many of their procedures by the end of March 2023, but admitted this was more likely that they would report back to the committee in the summer of 2023.

He directed the committee to page 48 of the agenda pack, which set out the current status of the 2020/21 audit. He pointed out two key areas to the committee; the quality reviews and checks and the updated financial statements. The updated financial statements would contain revisions relating to infrastructure asset, which had been raised at previous committee meetings.

He also highlighted the current status of their Value for Money work, as there had been a change in the reporting of this from 2021. They were no longer required to provide an opinion on this, but instead were required to report any significant weaknesses. He told the committee that none had been identified to date, despite not having finalised their conclusions until the financial statement opinion had been concluded, and did not envisage reporting any issues to the committee.

The Chair asked the external auditor whether the documentation of the property valuation testing and review of pension liability testing were outstanding in full and asked whether completing this by March was too optimistic.

The external auditor confirmed that they had completed their procedures in relation to these areas, and were just waiting to finalise the documentation. These had been included in the report as they were aware they were key areas of interest for the committee.

The Chair also asked the work being done on infrastructure asset reporting, due to updates to this which had been released in January 2023. Again, she asked him to clarify when they thought they would be able to conclude on this. The external auditor responded that they were currently waiting on additional information from the council regarding some of their infrastructure assets.

Councillor Leech commented that the council should promote the positive reflections on the Value for Money work. The external auditor explained that the Auditor's Annual Report, which would explain this in more detail, would go into the public domain as legally required and be published on the council's website.

The committee noted the external auditors' report.

37 Auditor Appointment from 1 April 2023

The Corporate Director Resources (S151 Officer) submitted a letter to the committee from the council's new external auditors, KPMG for their information.

The Corporate Director Resources (S151 Officer) explained to the committee that following the Public Sector Audit Appointments (PSAA) exercise, KPMG had been selected as the council's external auditor from April 2023. The S.151 Officer would be meeting with Debra Chamberlain, the external auditor,

in March to begin the handover process. KMPG had been the external auditors prior to Deloitte, so it was hoped that the handover process would be standard and this familiarity would help with a smooth transition.

The committee noted the information item.

38 Site Inspections - Audit follow up

The Audit and Risk Manager provided a verbal update to the committee on the follow up of the 2019/20 audit review of Site Inspections.

She explained to the committee that in accordance with the Audit Charter, where they completed an audit and the audit opinion remained the same i.e. Fair or Limited after two follow-up reviews, they were required to report this to the committee. Usually the Head of Service or Director would attend the committee to explain why the suggested actions had not been completed. However, this case was different than normal.

She told the committee that Site Inspections had been included in the 2019/20 plan, to be completed in Quarter 4 (in 2020). With the pandemic, the completion of the review had been delayed and the final report was issued in October 2020, with a fair opinion given and 7 recommendations suggested. A follow up review had occurred in November 2021, however the Head of Service responsible for the number of the actions detailed in the report had left the authority prior to this, so there had been no movement on the identified actions and therefore, the opinion remained unchanged. Following a restructure, the new Head of Service started at the authority in June 2022. A second follow up had been carried out at the end of 2022, with the final report issued at the beginning of 2023 with the opinion remaining the same. However, it was felt that it was unfair to ask the new Head of Service, who had a limited knowledge of this review to attend the committee meeting at this stage. A final review at the end of March 2023 was to be completed with an update to be brought to the committee.

Councillor Moon asked whether the recommendations suggested by the Audit and Risk Manager were being carried over following the restructure. She responded That these were now being addressed by the new Head of Service.

She reassured members that any reviews that receive a limited opinion would always receive follow-ups, either by the team itself or via the GRACE Risk Management automated system which would prompt users every week to review the recommendations.

The committee noted the verbal follow-up.

39 Periodic Private Discussion with Chief Internal Auditor

Following the conclusion of the formal meeting, members of the Committee

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

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

40 Time and Date of next meeting

It was agreed that the next meeting of the Audit Committee would be held at 6pm on Tuesday 20 June 2023.

The meeting started at 6.00 pm and finished at 6.48 pm.

Date of Publication: 03 March 2023

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Report of:	Meeting	Date	Item no.
Corporate Director Resources (S151 Officer)	Audit and Standards Committee	20 June 2023	

REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT
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1. Purpose of report

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

2. Outcomes

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

3. Recommendation

3.1 The Committee is asked to consider the results of the May 2023 review of the effectiveness of Internal Audit detailed in Appendix 1.

4. Background

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

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

4.3 To accompany the PSIAS an 'application note' has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to give guidance on applying the standards. This application note is no longer simply guidance but instead constitutes 'proper practices' alongside the PSIAS. It includes a checklist for measuring the performance of Internal Audit against the standards as part of the quality assurance and

improvement programme. The application note was re-issued in February 2019 with minor amendments.

- 4.4** The PSIAS state that an external assessment must be conducted at least every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessment can be in the form of a full external assessment, or a self-assessment with independent external validation. The majority of the Lancashire Districts made the decision to continue with the annual self-assessment completed by the Chief Internal Auditor and for the annual self-assessment to be independently verified via peer review. Wyre’s last peer review took place in March 2018 and a review was scheduled to be carried out in February 2023 but this has now been delayed until June 2023 at the request of the peer review team.

5. Key issues and proposals

- 5.1** The Audit, Risk and Performance Lead has assessed the effectiveness of the internal audit service using the recommended checklist contained within CIPFA’s Local Government Application Note. This has subsequently been ratified and countersigned by the Head of Governance and Business Support and the Corporate Director Resources (Section 151 Officer).
- 5.2** Four actions require attention following this review namely; the requirement for the Audit, Risk and Performance Lead to obtain ‘Chartered’ status, the Head of Governance and Business Support to continue to ratify and countersign the Internal Audit Effectiveness and the Annual Opinion, to seek an independent review of the council’s risk management arrangements and to update the Quality Assurance and Improvement Programme (QAIP) to include these actions.
- 5.3** The results of the review are attached at Appendix 1.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	An effective Internal Audit team helps to provide the correct environment to ensure good governance and probity.

Other risks/implications: checklist

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

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

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

Processing Personal Data

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

report author	telephone no.	email	date
Dawn Allen	01253 887341	Dawn.allen@wyre.gov.uk	09.06.2023

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

List of appendices

Appendix 1 – Review of effectiveness of Internal Audit – May 2023

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Questions to consider	Evidence / comments	
1 Mission of Internal Audit		
Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?	The mission of Internal Audit is clearly documented in the Audit Charter. This is reviewed annually by the Audit Committee, last reviewed March 2023 .	
<i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>		
CONFORMS ✓	PARTIAL	NOT CONFORMING

Questions to consider			Evidence / comments
2 Definition of Internal Auditing			
Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?			<p>An Audit Charter is in place that sets out Internal Audit's independence. This is also documented in the Head of Governance and Business Support, the Audit and Risk Manager (Chief Audit Executive (CAE)) and the Audit, Risk and Performance Lead's job descriptions.</p> <p>Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Arrangements will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2023/24 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system. A reciprocal peer review arrangement will be explored.</p> <p>Internal Audit are required from time to time to get involved / give advice on new systems / new controls etc. Owing to the size of the team, it may be that the same auditor will then have to perform the audit. However, the auditor is mindful of their independence and has the option to use independent auditors if necessary.</p> <p>It is a requirement of both IIA and CIPFA for its members to be both independent and objective. Objectivity is one of the four fundamental principles listed in the Internal Audit Charter / Code of Ethics.</p> <p>All the Audit, Risk and Performance Lead's reports are reviewed by the Audit and Risk Manager (CAE) and all the Audit and Risk Manager's reports are reviewed by the Head of Governance and Business Support prior to issue to ensure that the auditor has remained objective and that an overall balanced view is given.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?</p>			<p>There is a standard methodology in place for determining the ranking of assurance opinions and rankings of findings / recommendations in audit reports.</p> <p>Risk / Control matrices, strategic and operational risk registers and workshops and assurance mapping declarations are used to identify key areas prior to the start of each audit.</p> <p>Key financial systems control matrices have been introduced from 2022/23 to assist with the identification of areas requiring improved control / processes.</p> <p>The council has a risk management policy which is reviewed annually. The council has a risk management system (GRACE) which is in the process of being rolled out corporately (see 1100 Independence and Objectivity for action).</p> <p>The internal audit team use standardised working papers and audit report templates to maintain consistency.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider		Evidence / comments
3 Core Principles		
The Core Principles, taken as a whole, articulate internal audit effectiveness, and provide a basis for considering whether the review of conformance with the attribute standards and performance standards reflects full conformance, partial conformance or non-conformance with the PSIAS and the Local Government Application Note. In making this assessment, the assessor should have regard to positive evidence of conformance or non-conformance and the lack of evidence of non-conformance where positive evidence is difficult to obtain.		
Where there are instances of partial conformance or non-conformance in particular areas, you may need to make a judgment having regard to materiality and other factors in order to form a view on whether the internal audit activity conforms with a particular Core Principle. Any such judgments should be highlighted and explained.		
Demonstrates integrity.		<p>Auditors are bound by their professional and ethical standards and the Code of Ethics within the Internal Audit Charter / Code of Ethics and with their own professional bodies, i.e. CIPFA / IIA.</p> <p>Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed quarterly via the council's performance appraisal process.</p> <p>Auditors are required to complete an annual declaration of interests.</p> <p>In addition to being bound by professional and ethical standards and the Code of Ethics within the Internal Audit Charter, internal audit also complies with the Council's Employee Code of Conduct Policy.</p>
Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?		
CONFORMS ✓	PARTIAL	

Questions to consider			Evidence / comments
Demonstrates competence and due professional care.			<p>Elements such as these are a requirement of the role and are reviewed regularly via the council's performance appraisal process.</p> <p>Auditors complete and regularly update their Continual Professional Development (CPD) records.</p> <p>The Quality Assurance and Improvement Programme; internal assessments ensure auditors can demonstrate competence.</p>
Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is objective and free from undue influence (independent).			<p>Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed regularly via the council's performance appraisal process.</p> <p>Auditors are required to complete an annual declaration of interests last updated September 2022.</p> <p>Staff are aware of the requirement to declare any gifts and hospitality. A reminder is issued annually in the weeks prior to Christmas. The last reminder was issued in December 2022's edition of Core Brief. A register of gifts and hospitality is maintained on SharePoint.</p>
Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Aligns with the strategies, objectives, and risks of the organisation.			<p>Following the approval of the Council's Business Plan; Strategic and Operational risk workshops are carried out to ensure that the key risks of the organisation are identified and addressed through the annual audit plan, which if delivered, will assist the council in delivering its Business Plan.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Is appropriately positioned and adequately resourced.			<p>The Audit, Risk and Performance Lead reports to the Audit and Risk Manager (CAE) who reports directly (for Internal Audit) to the Corporate Director Resources (Section 151 Officer) who sits on the Corporate Management Team.</p> <p>Whilst the Internal Audit team is very small; assurance mapping, sound risk management and a fully risk based audit plan means that the team is adequately resourced to deliver the audit plan and deliver an annual audit opinion. A restructure which took place in June 2021 strengthened the skills in the team further and this increased resource negates the need for routine use of external support.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Demonstrates quality and continuous improvement.			<p>The annual self-assessment is carried out by the Audit and Risk Manager (CAE), scrutinised by the Corporate Director Resources (Section 151 Officer) and presented to the Audit Committee (last presented to Audit Committee 14/06/22). Wyre's first external assessment was in March 2018. The External Auditor at the time (KPMG) received the self-assessment and the peer review report as part of the Audit Committee agenda and therefore had the opportunity to challenge the content.</p> <p>The Audit Committee agree that an external self-assessment will be carried out by the Audit and Risk Manager (CAE), scrutinised by the Corporate Director Resources (Section 151 Officer) and presented to the Audit Committee and that every 5 years the review will be independently validated by a peer review. Wyre's next peer review is scheduled for July 2023.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Communicates effectively.			<p>The Internal Audit Charter sets out how Internal Audit communicates its activity.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Provides risk-based assurance.			<p>The Internal Audit Plan is formulated following a risk-based assessment of the audit universe.</p> <p>At the start of each audit assignment, a full risk assessment (RACE document) is completed by the auditor which identifies and documents the audit areas, key risks and expected controls.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is insightful, proactive, and future-focused.			<p>The Internal Audit Team liaises with all Corporate Directors, Heads of Service and External Audit prior to pulling together the annual audit plan.</p> <p>A number of 'horizon scanning' documents are used to ensure that full coverage is obtained.</p> <p>Strategic and Operational risk workshops, assurance mapping declarations and a risk based assessment of the audit universe assist the team in ensuring the audit environment is covered. A set of key financial systems control matrices will also be completed. These documents aim to identify whether there are any significant changes to systems, procedures, staffing/structures, segregation of duties, reconciliations, statutory requirements etc. this information then being used to inform whether a more in depth audit is needed, focusing resources to provide assurances where they are actually needed.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Promotes organisational improvement.			<p>All internal audit reports are published on SharePoint.</p> <p>Six monthly progress reports are issued to the Audit Committee. In addition, the Internal Audit Annual Report documents the work and achievements of the team during the year.</p>
Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
4 Code of Ethics			
Integrity			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by:</p> <ul style="list-style-type: none"> ■ Performing their work with honesty, diligence and responsibility? ■ Observing the law and making disclosures expected by the law and the profession? ■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation? ■ Respecting and contributing to the legitimate and ethical objectives of the organisation? 			<p>Auditors are bound by their ethical standards both in the internal audit Charter / Code of Ethics and with their own professional bodies, i.e. CIPFA / IIA.</p> <p>Elements such as these are a requirement of the role and, as such, are referred to in job descriptions and are reviewed quarterly via the council's performance appraisal process.</p> <p>Auditors are required to complete an annual declaration of interests.</p> <p>Auditors are bound by their professional and ethical standards and the Code of Ethics within the Internal Audit Charter.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	In addition to being bound by professional and ethical standards and the Code of Ethics within the Internal Audit Charter, internal audit also complies with the Council's Employee Code of Conduct Policy.
Objectivity			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by:</p> <ul style="list-style-type: none"> ■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? ■ Not accepting anything that may impair or be presumed to impair their professional judgement? ■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review? 			<p>Compliance with Audit Charter / Code of Ethics.</p> <p>Completion of annual declarations of interests.</p> <p>Auditors are required from time to time to get involved / give advice on new systems / new controls etc. Owing to the size of the team, the same auditor may also have to perform the audit. The auditor is, however mindful of their independence and has the option to call in independent auditors if necessary. Following a restructure in 2021 a new post (Audit, Risk and Performance Lead) was created and filled, this additional resource within the Audit and Risk Management Team has helped to ensure auditors are able to remain independent and objective.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Confidentiality			<p>Compliance with Audit Charter / Code of Conduct and Public Sector Internal Audit Standards.</p> <p>The Audit review process undertaken by the Audit and Risk Manager (CAE) includes a review of the information used for testing and how it was processed.</p> <p>Compliance with audit information asset registers.</p> <p>Understanding of the Data Protection Act 2018 and the enshrined GDPR.</p> <p>Compliance with Nolan's 7 principles / Code of Ethics and the auditor's own professional standards.</p>
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <ul style="list-style-type: none"> ■ Acting prudently when using information acquired in the course of their duties and protecting that information? ■ Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation? 			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

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

Seven Principles of Public Life			A copy of the Internal Audit Charter and the Code of Ethics which refers to the Seven Principles of Public Life, has been provided to all Audit and Risk Management staff. Both documents are also published on the SharePoint system.	
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i> ?				
CONFORMS ✓	PARTIAL	NOT CONFORMING		
Questions to consider			Evidence / comments	
Standards				
5 Attribute Standards				
5.1 1000 Purpose, Authority and Responsibility				
The questions in this section seek to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.				
Page 25	Does the internal audit charter conform with the PSIAS by including a formal definition of:			The Audit Charter includes a definition in accordance with the PSIAS.
	<ul style="list-style-type: none"> ■ the purpose ■ the authority, and ■ the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?			
CONFORMS ✓	PARTIAL	NOT CONFORMING		

Questions to consider			Evidence / comments
<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>			<p>The Audit Charter defines the 'board' as the Audit Committee and 'Senior Management' as the Corporate Director Resources (Section 151 Officer).</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> ■ Set out the internal audit activity's position within the organisation? ■ Establish the chief audit executive's (CAE) functional reporting relationship with the board? ■ Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager. ■ Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit? ■ Define the scope of internal audit activities? ■ Recognise that internal audit's remit extends to the entire control environment of the organisation? ■ Establish the organisational independence of internal audit? ■ Cover the arrangements for appropriate resourcing? ■ Define the role of internal audit in any fraud-related work? 			<p>See Audit Charter.</p>

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

CONFORMS ✓

PARTIAL

NOT CONFORMING

Questions to consider			Evidence / comments
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?			An annual review of the Audit Charter is undertaken and approved by Audit Committee, last reviewed February 2023 .
CONFORMS ✓	PARTIAL	NOT CONFORMING	
5.2 1100 Independence and Objectivity			
The questions in this section seek to confirm that the internal audit activity is independent and internal auditors are objective in performing their work.			
Does the CAE have direct and unrestricted access to senior management and the board?			The Audit and Risk Manager (CAE) reports directly to the Section 151 Officer (for Internal Control) and attends all but one of the Audit Committee meetings to present reports (they don't routinely attend the closure of accounts meeting). There is also an annual opportunity for the CAE to have a periodic private discussion with the Audit Committee, and the last one was held February 2023 .
Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	Access rights and reporting lines are documented in the Audit Charter. The Chairman of the Audit Committee attends regular pre-meeting briefings in person or via telephone.
Does the CAE attend audit committee meetings?			The CAE attends audit committee meetings and contributes to the agendas. See minutes of Audit Committee indicating attendees and contribution.
Does the CAE contribute to audit committee agendas?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>Are threats to objectivity identified and managed at the following levels:</p> <ul style="list-style-type: none"> ■ Individual auditor? ■ Engagement? ■ Functional? ■ Organisation? 			<p>Audit staff complete a declaration of interests annually.</p> <p>The Audit and Risk Manager (CAE) will consider any threats to objectivity at the start of each audit.</p> <p>Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under their responsibility (business continuity, democratic services, elections and insurance arrangements). Preparations will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2023/24 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system.</p> <p>Action Arrangements need to be explored with another District Council to carry out a 'peer review' of the council's risk management processes.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>1110 Organisational Independence</p>			
<p>This subsection seeks to confirm that reporting and management arrangements been put in place that preserve the CAE's independence and objectivity.</p> <p>This is of particular importance when the CAE is line-managed by another officer of the authority.</p>			
<p>Does the CAE report to an organisational level equal or higher to the corporate management team?</p>			
<p>The CAE reports directly to the Corporate Director Resources (Section 151 Officer) who sits on Corporate Management Team.</p>			
<p>Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?</p>			
<p>The CAE reports directly to the Corporate Director Resources (Section 151 Officer) who sits on Corporate Management Team.</p>			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the CAE's position in the management structure:</p> <ul style="list-style-type: none"> ■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? ■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management? 			<p>The audit work programme includes an opportunity for the CAE to meet with the Audit Committee in private. The last meeting between the CAE and the Audit Committee on 28/02/23.</p> <p>The CAE reports directly to the Corporate Director Resources (Section 151 Officer) who sits on Corporate Management Team.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p>			<p>Documented in the Audit Charter which is presented to the Audit Committee annually (February 2023).</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p>	<p>The Audit Committee annually approves the Internal Audit Charter, the risk based plan and any adjustments to the plan.</p>	
<p>The 'Interpretation' to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board:</p> <ul style="list-style-type: none"> ■ approves the internal audit charter ■ approves the risk-based audit plan ■ approves the internal audit budget and resource plan ■ receives communications from the CAE on the activity's performance (in relation to the plan, for example) ■ approves decisions relating to the appointment and removal of the CAE ■ approves the remuneration of the CAE ■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. 	<p>The Audit Committee receives six monthly updates on risk management, counter fraud, progress on completion of the audit plan and information governance.</p> <p>The appointment / dismissal of the CAE is not reflected in the Council's Constitution as an elected member responsibility and it falls to the Corporate Director Resources (Section 151 Officer) who is responsible for maintaining an adequate internal audit function. Any decision, however, would be presented to the Audit Committee for noting.</p> <p>The Audit Committee work programme allows an opportunity for a private discussion with the External Auditor which would allow them to comment on the performance of the CAE, if appropriate. The last private discussion taking place on 27/09/22.</p>	
<p>The Public Sector Interpretation to PSIAS 1110 notes that board approval of CAE remuneration does not generally happen in the UK public sector, and that the underlying principle is therefore that the independence of the CAE must be safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit.</p> <p>EQA assessors should therefore consider whether adequate steps are taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit. This might for example reflect some involvement of the chief executive in the performance assessment process or feedback from the audit committee chair.</p>	<p>The remuneration of the CAE is in accordance with the Council's Pay and Grading Policy.</p> <p>The Audit Committee have the opportunity to question the Audit and Risk Manager (CAE) and the Corporate Director Resources (Section 151 Officer) at the meeting when the audit plan is presented and progress reports are provided.</p> <p>The Head of Governance and Business Support, who forms part of the council's Senior Leadership Team has regular 1-2-1's with the Audit and Risk Manager (CAE) and also completes her performance appraisal. Once a year, the Audit Committee will have the opportunity to attend two scheduled private discussions, one with the council's External Auditors and the other with the Audit and Risk Manager (CAE). Following on from these discussions, feedback on the Audit and Risk Manager's performance is provided by the Chairman of the Audit Committee to the Head of Governance and Business Support prior to the Audit and Risk Manager's annual performance appraisal taking place. They would then notify the Corporate Director Resources of any issues should they arise.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

1111 Direct Interaction with the Board			
Does the CAE communicate and interact directly with the board?			The Audit and Risk Manager (CAE) attends a pre-audit meeting with the Chairman of the Audit Committee and also attends all Audit Committee Meetings (apart from closure of accounts).
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Questions to consider			Evidence / comments
1112 Chief Audit Executive Roles Beyond Internal Auditing			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			There has been no impairment of independence or objectivity. Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Preparations will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2023/24 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system (see 1100 Independence and Objectivity for action).
Does the board periodically review these safeguards?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1120 Individual Objectivity			
Do internal auditors have an impartial, unbiased attitude?			The Internal Audit Charter / Code of Ethics sets out the expected behaviours of the team including acting impartially in an unbiased way. Feedback on internal audit reviews have not been completed during 2021/22. The software (Limehouse) used to facilitate the feedback process is no longer in use. A new process was agreed for the audit year 2022/23 onwards.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Do internal auditors avoid any conflict of interest, whether apparent or actual?			Auditors will complete an annual declaration of interests . Compliance with the Internal Audit Charter / Code of Ethics. Audit Staff are aware that they need to report any potential conflicts of interest if they arise during an audit review. There have been no conflicts of interest recorded to date.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

1130 Impairment to Independence or Objectivity			
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?			There has been no impairment of independence or objectivity. Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Preparations will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2023/24 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system (see 1100 Independence and Objectivity for action).
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?			N/A
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?			Following a restructure in June 2021 the role of the CAE moved away from the Head of Governance and Business Support, therefore removing the need to rely on independent auditors to review functions under her responsibility (business continuity, democratic services, elections and insurance arrangements). Preparations will be made to ensure that the council's Risk Management arrangements are independently reviewed in 2023/24 given that both the Audit and Risk Manager and the Audit, Risk and Performance Lead have been heavily involved in introducing the new arrangements and rolling out the system (see 1100 Independence and Objectivity for action).
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?			Owing to the size of the audit team this is not always achievable. However, following a restructure in June 2021 which resulted in the appointment of a new Audit, Risk and Performance Lead, this addition to the Audit and Risk Management Team has helped to ensure audit assignments can be rotated periodically.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Have internal auditors declared interests in accordance with organisational requirements?			The Audit and Risk Management Section all complete an annual declaration of interests.
CONFORMS ✓	PARTIAL	NOT CONFORMING	Staff are provided with the Internal Audit Charter / Code of Ethics. Both documents are also on the Hub.
Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been declared and investigated fully?			There have been no declarations of gifts and hospitality received in 2022/23 by internal audit.
CONFORMS ✓	PARTIAL	NOT CONFORMING	Audit staff are reminded annually of the council's procedures in respect of receiving gifts and hospitality. Last reminder December 2022.

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

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5.3 1200 Proficiency and Due Professional Care			
This section seeks to confirm that engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the CAE and their staff, and how they exercise their capability in practice.			
1210 Proficiency			
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? Is the CAE suitably experienced?			<p>The Audit and Risk Manager (CAE) is not fully qualified to CMIIA level (chartered) however she is professionally qualified to PIIA standard and has 14 years' local government internal audit experience. Succession plans are in place within the Internal Audit Team and given that the Audit and Risk Manager (CAE) is taking flexible retirement from August 2023 it is hoped that the Audit, Risk and Performance Lead will take on the role of CIA and undertake the appropriate qualifications.</p> <p>The Head of Governance and Business Support is a fully Certified Chartered Auditor (CIA / CMIIA) and holds a Qualification in Internal Audit Leadership (QIAL). The Head of Governance has 20 years' experience in internal audit including County Council, 2 District Councils, experience in auditing the Police and Fire Authority, schools and residential establishments.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes? Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?			<p>The Audit and Risk Manager (CAE) has been fully trained on the council's recruitment and selection procedures.</p> <p>Following a restructure in June 2021, the role of the CAE moved away from the Head of Governance and Business Support and was allocated to the new Audit and Risk Manager. A job description was formulated to reflect the required skills, knowledge and qualifications of a CAE in accordance with the PSIAS. In addition, a new Audit, Risk and Performance Lead role was also appointed.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?</p> <p>Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?</p>			<p>The Audit and Risk Manager is PIIA qualified and satisfies the required competencies for the role.</p> <p>The Head of Governance and Business Support and the Audit and Risk Manager have the necessary qualifications and skill set to carry out any audit work. However if a piece of work was to be carried out that would require a specialist auditor skill set, an external audit provider would be commissioned e.g. Lancashire County Council / MIIA.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Questions to consider			Evidence / comments
<p>Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?</p>			<p>The use of CIPFA's TIS online (technical information service) and GRACE risk matrices help assist in evaluating the risk of fraud. The knowledge and expertise of the in-house Compliance Team is available if required.</p> <p>Both the Head of Governance and Business Support and the Audit and Risk Manager (CAE) have attended an external course in respect of conducting internal investigations.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Do internal auditors have sufficient knowledge of key information technology risks and controls?</p>			<p>The council would use the expertise of an external auditor provider where appropriate.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?</p>			<p>Although the Internal Audit function do not have any CAAT software, if such software was required, arrangements could be made with another Local Authority to utilise the use of this.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>1220 Due Professional Care</p>			
<p>Do internal auditors exercise due professional care by considering the:</p> <ul style="list-style-type: none"> ■ Extent of work needed to achieve the engagement’s objectives? ■ Relative complexity, materiality or significance of matters to which assurance procedures are applied? ■ Adequacy and effectiveness of governance, risk management and control processes? ■ Probability of significant errors, fraud, or non-compliance? ■ Cost of assurance in relation to potential benefits? <p>In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.</p>			<p>Both the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead will discuss and agree the scope, objectives and risks at the start of each audit with the client and compile the Audit Brief document which forms part of the audit working papers.</p> <p>The audit plan considers time, cost, complexity and the assurances it requires from each audit.</p> <p>Guidance, information and advice is available to the auditor when designing tests to ensure adequacy and effectiveness of governance, risk management and control.</p> <p>GRACE risk matrices and the TIS online subscription are frequently used to ensure all risk areas are considered and subsequent controls have been identified. Audit staff have access to all CIPFA publications so they can access all up-to-date publications which assist with the consideration of audit, governance and risk. Namely; CIPFA – Delivering Good Governance in Local Government; and the PSIAS – Local Government Application Note for the UK Public Sector.</p> <p>At the start of an audit, the auditor will have an initial meeting with the auditee as well as refer to the operational risks within the GRACE risk management system and assurance mapping declarations to identify / discuss potential risks. These are set out in the audit brief. If any further risks, fraud etc. are highlighted during the audit, the scope of the audit brief would be amended to include the work required. The auditor will also be alert to any non-compliance issues raised by officers.</p> <p>All work is risk based. If additional work is required, the Audit, Risk and Performance Lead will agree this with the Audit and Risk Manager (CAE) subject to a cost/benefit analysis being undertaken.</p> <p>Consideration will be given to what methods of data analysis / techniques should / could be used at the start of each audit to obtain the necessary assurances.</p>
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	

<p>Do internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> ■ Needs and expectations of clients, including the nature, timing and communication of engagement results? ■ Relative complexity and extent of work needed to achieve the engagement's objectives? ■ Cost of the consulting engagement in relation to potential benefits? 	<p>There are no such engagements undertaken presently.</p>				
<p>CONFORMS N/A</p>	<p>PARTIAL N/A</p>	<p>NOT CONFORMING N/A</p>			
<p>1230 Continuing Professional Development</p>					
<p>Has the CAE defined the skills and competencies for each level of auditor?</p> <p>And</p> <p>Does the CAE periodically assess individual auditors against the predetermined skills and competencies?</p>	<p>The Audit and Risk Management Team consists of the Audit and Risk Manager (CAE), and the Audit, Risk and Performance Lead.</p> <p>Each audit report produced by the Audit, Risk and Performance Lead is reviewed by the Audit and Risk Manager (CAE) and audit reports produced by the Audit and Risk Manager (CAE) are reviewed by the Head of Governance and Business Support to ensure the audit has been conducted in accordance with professional standards and requirements of any auditing publications.</p> <p>The skills and competencies of both the Audit and Risk Manager and the Audit, Risk and Performance Lead are annually reviewed as part of the council's performance appraisal scheme.</p>				
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>			
<p>Questions to consider</p>			<p>Evidence / comments</p>		
<p><i>Do internal auditors undertake a programme of continuing professional development?</i></p> <p>And</p> <p><i>Do internal auditors maintain a record of their professional development and training activities?</i></p>			<p>The Head of Governance and Business Support, the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead undertake CPD in accordance with their professional qualification requirements.</p> <p>HR maintains a list of all courses that have been attended by Audit staff.</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>			

5.4 1300 Quality Assurance and Improvement Programme

The questions in this section seek to confirm that the CAE has developed and maintained a Quality Assurance and Improvement Programme (QAIP) through which conformance with the PSIAS can be and is properly assessed.

Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?

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

Does the CAE maintain the QAIP?

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

CONFORMS ✓

PARTIAL

NOT CONFORMING

A [Quality Assurance and Improvement Programme](#) is in place which is submitted to the Audit Committee annually in June. It includes a number of internal and external assessments which ensures that internal audit activity can demonstrate quality and continuous improvement. This was not updated in 2020 and 2021 as the previous 2 effectiveness updates did not result in any actions. However, following the 2022 effectiveness review an updated action plan was produced which included the following actions highlighted in this self-assessment:

- An independent review of the councils risk management processes needs to take place following the direct involvement in the implementation of the new GRACE risk management system, refresh of the risk management policy and training of action plan owners;
- The Head of Governance and Business Support is required to countersign the Internal Audit Effectiveness review and also the Annual Audit Opinion owing to the new CIA not having Chartered status; and
- The Audit, Risk and Performance Lead needs to register with the IIA and start a portfolio of experience ready for the September submission deadline.

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

The internal assessments include:

- An annual self-assessment of the effectiveness of the audit service using the PSIAS;
- Feedback on the Audit and Risk Manager (CAE) is sought annually prior to their performance appraisal;
- 6 monthly monitoring of the internal audit activity to the Audit Committee; and
- Day-to-day monitoring of compliance with the Definition of

			<p>Internal Auditing and the Code of Ethics documented within the Sections Audit Charter and also in the PSIAS.</p> <p>External assessments include:</p> <ul style="list-style-type: none"> • A 5 yearly independent assessment of compliance to the PSIAS; • Annual review of the council’s Annual Governance Statement as part of the Financial Accounts audit; • Regular attendance at the Audit Committee with the opportunity to meet in private with the Committee; and • External Auditors and Audit Committee Members reviewing and challenging internal audit reports.
			<p>All aspects of the programme are routinely monitored. The review is conducted by the Audit and Risk Manager (CAE) and scrutinised by the Head of Governance and Business Support and the Corporate Director Resources (S151 Officer).</p> <p>Action The QAIP needs to be updated with the actions resulting from this self-assessment.</p>
<p>1310 Requirements of the Quality Assurance and Improvement Programme</p>			
<p><i>Does the QAIP include both internal and external assessments?</i></p>			
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>A self-assessment is performed annually. In addition, an external review of the effectiveness of the internal audit function is carried out every 5 years, in accordance with the requirements of the PISIAS. Wyre’s last review took place in March 2018. Only three minor areas of recommendation were identified. The next peer review will take place in July 2023.</p> <p>The External Auditor will also review the work of the internal audit service as part of the work they complete in respect of the ISA 260 – Report to those charged with Governance.</p>

1311 Internal Assessments			
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?			A restructure took place in June 2021 which resulted in the appointment of a new Audit, Risk and Performance Lead. This addition to the Audit and Risk Management Team has helped the Audit and Risk Manager (CAE) to ensure that audit assignments can be allocated by to the appropriate auditor with the relevant skills, experience and competencies.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Do internal assessments include ongoing monitoring of the internal audit activity, such as:			All audit work is subject to a full review before the report is published. This includes a full review of working papers , evidence found, testing completed and validity of recommendations. An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years. Wyre's review took place in March 2018 with the next review due in June 2023.
■ Routine quality monitoring processes?			
■ Periodic assessments for evaluating conformance with the PSIAS?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> ■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities? ■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? ■ Does the CAE measure, monitor and report on progress against these targets? ■ Does ongoing performance monitoring include obtaining stakeholder feedback? 			<p>The Audit, Risk and Performance Lead is set targets / objectives annually as part of the performance appraisal scheme. Performance against these targets/objectives is monitored regularly.</p> <p>The Audit Committee receives six monthly updates on completion of the audit plan.</p> <p>Reporting timescales are published in the Audit Charter.</p> <p>On-going monitoring of service performance was identified in the last PSIAS peer review as an area that would benefit some improvement; i.e. Performance indicators. However given the size of the team and the number of audits completed, it is thought that performance reporting to the Audit Committee is sufficient enough to demonstrate the valued added to the organisation.</p> <p>The Wyre audit plan is monitored day-to-day with a report being considered by Audit Committee every six months.</p> <p>Feedback was not sought on internal audit reviews carried out in 2021/22 as the contract for software (Limehouse) used to facilitate the feedback process came to an end. A new process has since been agreed for the audit year 2022/23 and onwards.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

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

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

<p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?</p> <p>The CAE should also agree this scope with the external assessor or assessment team.</p>	<p>These requirements form the basis of the 'Memorandum of Understanding'.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>1320 Reporting on the Quality Assurance and Improvement Programme</p>		
<p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> ■ the results of both external and periodic internal assessment must be communicated upon completion ■ the results of ongoing monitoring must be communicated at least annually ■ the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS. 	<p>The Internal Audit Annual Report reports the results of the QAIP to Audit Committee. The results of the internal assessment of the internal audit function are scrutinised by the Corporate Director Resources (Section 151 Officer) and presented to the Audit Committee.</p> <p>The internal assessment is reported to Audit Committee annually and any external assessments will be reported to the Audit Committee following the issue of any report.</p> <p>Both the Internal Audit Annual Report and the Internal Audit Charter refer to the QAIP and its ongoing monitoring.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Questions to consider			Evidence / comments
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?			See 1300 – Quality Assurance and Improvement Programme.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1321 Use of ‘Conforms with the International Standards for the Professional Practice of Internal Auditing’			
Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?			The self-assessment is reviewed by the Corporate Director Resources (Section 151 Officer) and reported to the Audit Committee.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
1322 Disclosure of Non-conformance			
Has the CAE reported any instances of non-conformance with the PSIAS to the board?			There are no instances of non-conformance with the PSIAS.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?			There are no significant deviations that require reporting in the AGS.
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

Questions to consider	Evidence / comments		
6 Performance Standards			
6.1 2000 Managing the Internal Audit Activity			
<p>The questions in this section seek to confirm that the internal audit activity's work achieves the purposes and responsibility of the activity, as set out in the internal audit charter, and that the internal audit activity adds value to the organisation and its stakeholders by:</p>			
<ul style="list-style-type: none"> ■ providing objective and relevant assurance 			
<ul style="list-style-type: none"> ■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes. 			
2010 Planning			
<p>Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?</p>	<p>The audit plan is formulated following discussions with Senior Managers, consideration of the Council's Business Plan and strategic and operational risk registers.</p>		
<p>Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?</p>	<p>The audit plan is formulated taking into consideration the areas on which the Audit and Risk Manager (CAE) is required to provide assurance in the annual audit report.</p>		
<p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p>	<p>The audit plan considers the council's risk registers, business plan, priority projects / objectives and also any emerging threats, opportunities for fraud etc.</p>		
<ul style="list-style-type: none"> ■ How the internal audit service will be delivered? 			
<ul style="list-style-type: none"> ■ How the internal audit service will be developed in accordance with the internal audit charter? 			
<ul style="list-style-type: none"> ■ How the internal audit service links to organisational objectives and priorities? 	<p>Documented in the Audit Charter / Code of Ethics.</p>		
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	<p>Development of the Internal Audit Service will be identified as part of this self-assessment and also at the 5 year external assessment.</p> <p>Improvements are also discussed and documented in the service plan each year. Progress on meeting these improvements is monitored through the performance appraisal system.</p> <p>The audit plan is formulated after reviewing the council's business plan which lists the key objectives and actions for the organisation as a whole.</p>

Questions to consider			Evidence / comments
<p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p> <p>In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?</p> <p>If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this? N/A</p>			<p>Local and national risks are identified through the following;</p> <ul style="list-style-type: none"> • Strategic / operational risk workshops • Networking and attendance at group auditor meetings; • Meetings with the External Auditor; and • Reading and research. <p>The Audit Committee are given the opportunity to comment on the work in the plan and discuss emerging risks either locally or nationally.</p> <p>The Audit Brief document for each audit will identify and address individual risks, be it locally or nationally.</p> <p>Both strategic and operational risks are considered when developing the audit plan.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> ■ Audit work to be carried out? ■ Respective priorities of those pieces of audit work? ■ Estimated resources needed for the work? <p>Does the risk-based plan differentiate between audit and other types of work?</p> <p>Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?</p>			<p>In 2023/24 we will be continuing the quarterly planning approach rather than the production of an annual plan to enable Internal Audit to be flexible and responsive to key risks. This has been submitted to the Audit Committee for 2023/24 audit work.</p> <p>Risks and resources will be reviewed continually throughout the year and reported to the Audit Committee.</p> <p>The plan identifies the category, source and rationale for the piece of work and how it links to the council's business plan / risk registers etc.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?			The quarterly plan will be reviewed on a regular basis allowing any new risks or council priorities (new systems etc.) to be addressed accordingly.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Is the internal audit activity's plan of engagements based on a documented risk assessment?			The process that is undertaken to formulate the audit plan / priorities is an annual review of the council's universe, followed by regular updates of the council's strategic and operational risk registers, key financial control risk matrices and business plan refreshes.
Is the risk assessment used to develop the plan of engagements undertaken at least annually?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
In developing the risk-based plan, has the CAE also given sufficient consideration to:			Audit staff complete an annual declaration of interest. There have been no conflicts of interest recorded in 2022/23.
<ul style="list-style-type: none"> ■ Any declarations of interest (for the avoidance for conflicts of interest)? ■ The requirement to use specialists, e.g. IT or contract and procurement auditors? ■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? ■ The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion? 			
CONFORMS ✓	PARTIAL	NOT CONFORMING	Both the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead have the necessary qualifications and skill set to carry out any audit. However if a piece of work was to be carried out that would require a specialist auditor skill set, an external audit provider would be commissioned or the in-house Compliance Team would be used for any complex fraud investigations.
			Time to plan each audit is factored into the number of days allocated for each piece of work. Attendance at Audit Committee, development of the annual report and other Audit and Risk Manager (CAE) activities is listed separately on the audit plan.

Questions to consider			Evidence / comments
<p>In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?</p> <p>Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?</p>			<p>Senior Management input is requested when drafting the audit plan. It is then submitted to the Audit Committee at which point their input is also requested. There is also an opportunity at this point for the External Auditors to comment on the content.</p> <p>The annual audit report is scrutinised by the Corporate Director Resources (Section 151 Officer) and is also presented to the Audit Committee for consideration. Again, there is also an opportunity at this point for the External Auditors to comment on the content.</p> <p>In regards to audit report opinions, the overall opinions are based on the findings of each audit, which are graded using a set framework. Auditees can challenge the audit opinion and provide reasons in support of why they think the opinion should be changed. This will be done at the draft stage of the reporting process.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?</p> <p>Are consulting engagements that have been accepted included in the risk-based plan?</p>			<p>There are no proposed consulting engagement arrangements in place.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	

2020 Communication and Approval			
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?			Audit plan priorities are submitted to the Audit Committee initially in February / March each year for approval. In 2023/24 we will be continuing the quarterly planning approach rather than the production of an annual plan to enable Internal Audit to be flexible and responsive to key risks. This has been submitted to the Audit Committee for 2023/24 audit work and will be reviewed / prioritised on a quarterly basis. Six monthly updates are provided to the Audit Committee which includes any deviations or changes to audit work going forward owing to the identification of any new or emerging risks.
Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?			
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Has the CAE communicated the impact of any resource limitations to senior management and the board?			Resource limitations would be reported to senior management and the Audit Committee where appropriate as part of the update report.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2030 Resource Management			
Does the risk-based plan explain how internal audit's resource requirements have been assessed?			The internal audit resource requirements are documented in the Audit Charter. The Audit Committee and the External Auditors are aware of the size of the audit section and have the opportunity to challenge the plan if they feel there is insufficient coverage. Assurance mapping, risk registers and the council's business plan helps streamline audit planning and focus audit priorities. Benchmarking with neighbouring authorities and participation in the PSIAS peer review process gives further confidence that the number of audit days / staff is consistent with other similar sized authorities.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?			The Lead Auditor will agree timings with each Head of Service prior to the start of each review. This will be documented in the Audit Brief.
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?</p> <p>This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.</p>			<p>There is an opportunity for the Audit and Risk Manager (CAE) to comment on sufficiency of resources where appropriate; although it is considered that the resource available is now sufficient to deliver the audit plan given that a restructure took place in June 2021 and a new Audit, Risk and Performance Lead was appointed, increasing the size of the Audit and Risk Management Team. If further resources were required an external audit provider e.g. Lancashire County Council / MIIA would be utilised.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2040 Policies and Procedures			
<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems to guide staff in performing their duties in a manner that conforms to the PSIAS</p> <p>Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?</p>			<p>Standardised working papers and standard reporting format have been developed. SharePoint is used to store key documents that guide audit activity i.e. Audit Charter / Code of Ethics, Risk Management Policy and other CIPFA guidance. Both the Audit and Risk Manager (CAE) and the Audit, Risk and Performance Lead have been issued with the PSIAS and CIPFA's Application Note.</p> <p>Internal audit policies and procedures are reviewed annually to ensure conformity to PSIAS.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

2050 Coordination		
Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?		
The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers.		
They should also meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans.		
Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.		
CONFORMS ✓	PARTIAL	NOT CONFORMING
<p>An annual assurance mapping exercise is carried out to identify other streams of assurance such as external inspections, that can be considered, e.g. RIPA, Taxi Licensing, Local Government Ombudsman reports and identify any remaining gaps.</p> <p>Meetings are held with External Audit to update them on the work currently being carried out by Internal Audit. Work sometimes overlaps / complements that of transformation / process re-engineering, so regular updates with the individual Heads of Service is important.</p> <p>Both internal and external audit plans are shared and communicated publically at Audit Committee.</p> <p>Regular meetings (either via Teams or in person) are held between the External Auditor and the Corporate Director Resources (S151 Officer) to discuss the progress made in implementing the audit plan. The CAE attends for part of these meetings.</p>		

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

<p>2070 External Service Provider and Organisational Responsibility for Internal Auditing</p>			
<p>Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?</p>			<p>The council in-house team is currently responsible for 100% delivery of audit activity. With effect from August 2023, a number of audit days will be completed by Lancashire County Council to facilitate the flexible retirement of the Audit and Risk Manager. This arrangement will be reviewed on an annual basis.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p>6.2 2100 Nature of Work</p>			
<p>The questions in this section seek to confirm that the internal audit activity evaluates and contributes to the improvement of the organisation's governance, risk management and internal control processes using a systematic and disciplined approach.</p>			
<p>2110 Governance</p>			
<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> ■ Making strategic and operational decisions? ■ Overseeing risk management and control? ■ Promoting appropriate ethics and values within the organisation? ■ Ensuring effective organisational performance management and accountability? ■ Communicating risk and control information to appropriate areas of the organisation? ■ Coordinating the activities of and communicating information among the board, external and internal auditors and management? 			<p>The audit plan is formulated to ensure it contributes to the improvement of the organisation's governance, risk management and internal control processes. Audit reviews will cover the governance and the key risks of the service as well as the key controls.</p> <p>Standardised working papers and reports are used to maintain a consistent approach.</p> <p>All reported concerns are followed up e.g. members exerting undue influence.</p> <p>A staff ethical governance survey was conducted in 2019 to promote positive behaviours and values and identify gaps in knowledge and understanding. An equivalent survey for members was conducted in 2021 resulting in an action plan being produced which is currently being implemented.</p> <p>Managers are held accountable for actions in audit reports and findings from previous audit reports are followed up by the internal audit team.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

			<p>The Audit, Risk and Performance Lead monitors the performance of key projects within the business plan and reports quarterly to the Overview and Scrutiny Committee.</p> <p>Regular risk workshops take place with Heads of Service and they have access to their risk registers on the Grace Risk Management System.</p> <p>Audit reports are issued to the staff responsible for the area being audited.</p> <p>The Audit Committee receive regular updates on risk management.</p> <p>A governance assurance meeting is carried out prior to the completion of the Annual Governance Statement. This is attended by key officers of the council.</p> <p>All audit reports are issued to clients and published on SharePoint for all staff / members to view.</p> <p>External Auditor communication is presented to Audit Committee. Regular updates are presented to Full Council on the work of Audit Committee.</p> <p>Governance issues will be reviewed as part of the audit as are risk management, health and safety and performance management.</p>
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Questions to consider			Evidence / comments
<p>Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.</p>			<p>The staff ethical governance survey completed in 2019 tested knowledge and understanding of key policies and procedures and helped identify any gaps allowing targeted future training, for example the location of polices. An equivalent survey for members was conducted in 2021 resulting in an action plan being produced which is currently being implemented. Further surveys will be scheduled for staff and members after the 2023 elections.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity assessed whether the organisation’s information technology governance supports the organisation’s strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.</p>			<p>Whilst the CAE does not sit on the Information Governance Group, she would be invited if deemed necessary. This is to ensure she remains independent from any policy changes / approval etc. In addition, the CAE also inputs to The Chief Internal Auditor and Information Governance / Data Protection update which is presented to CMT on a quarterly basis.</p> <p>The CAE and the Audit, Risk and Performance Lead facilitate quarterly ICT risk workshops. Any information technology / governance risks that would prevent the organisation achieving the business plan would be highlighted at these workshops.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>2120 Risk Management</p>			
<p>Has the internal audit activity evaluated the effectiveness of the organisation’s risk management processes by determining that:</p> <ul style="list-style-type: none"> ■ Organisational objectives support and align with the organisation’s mission? ■ Significant risks are identified and assessed? ■ Appropriate risk responses are selected that align risks with the organisation’s risk appetite? ■ Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities? 			<p>Documented in the Business Plan.</p> <p>The Business Plan / service plans / risk registers / assurance mapping declarations are used to identify and assess significant risks that would prevent the organisation from meeting its organisational objectives.</p> <p>Risks above the council’s risk appetite are required to have actions to mitigate the risks. Risks below the appetite are regularly monitored.</p> <p>Strategic risks are reviewed by Corporate Management Team every quarter and reported to the Audit Committee every six months.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

<p>Has the internal audit activity evaluated the risks relating to the organisation’s governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> ■ Achievement of the organisation’s strategic objectives? ■ Reliability and integrity of financial and operational information? 	<p>Considered at the strategic risk workshop when reviewing the Business Plan.</p> <p>Financial and operational information is tested for reliability and integrity as part of individual audits.</p>	
<ul style="list-style-type: none"> ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 	<p>Discussions take place at both strategic and operational risk workshops regarding the effectiveness and efficiency of operations and also considered as part of individual audits.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a <i>Code of Practice on Managing the Risk of Fraud and Corruption</i>, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>	<p>Fraud risks are considered during the operational and strategic risk workshops.</p> <p>The council takes part in the NFI annual and biennial exercises.</p> <p>The Audit and Risk Manager (CAE) regularly tests compliance to the council’s counter fraud polices.</p> <p>Information concerning potential fraudulent activity is shared (National reports and Lancashire Audit Group).</p> <p>There is a Compliance Team within the contact centre that focus on investigating corporate fraud including fraudulent claims for council tax support, falsely claimed council tax and business rate discounts and exemptions and council tax and business rate avoidance cases.</p> <p>Staff were invited to attend fraud awareness training sessions given by NatWest in the Council Chamber in February 2020. These included guidance on avoiding personal and business fraud.</p> <p>A Webinar for the public sector is expected in the summer 2023 and staff will be invited to attend.</p>	
<p>CONFORMS ✓</p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Questions to consider			Evidence / comments
<p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p> <p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p> <p>Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?</p>			<p>There are no such engagements undertaken presently.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p>Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?</p>			<p>The Audit and Risk Management Section only facilitate the process and hold and maintain the risk registers.</p> <p>Risk owners are assigned for each risk identified and they are responsible for ensuring that risk is appropriately managed and considered throughout the year. The Grace Risk Management system provides email prompts to risk and action owners when risks / action plans are due for review.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2130 Control			
<p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> ■ Achievement of the organisation's strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 			<p>These areas are covered as part of the audit planning process.</p> <p>Audits of key financial systems are normally conducted every 2/3 years unless there are any major changes to systems or controls. Position statements may be used when no major changes have occurred. Key financial systems control matrices were introduced in 2022/23 to assist with the identification of areas requiring improved control / processes and these will be used going forward.</p> <p>Strategic objectives / projects are currently managed at CMT/Head of Service level.</p> <p>Feedback from the Insurance Officer is used to evaluate adequacy of the safeguarding of council assets.</p> <p>Compliance with laws, regulation, policies, procedures and contracts are considered in each audit review.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	There are no such engagements undertaken presently.		
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
6.3 2200 Engagement Planning			
<p>Do internal auditors develop and document a plan for each engagement?</p> <p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ Timing? ■ Resource allocations? 	<p>An Audit Brief is developed and agreed for each audit review.</p> <p>Each of these criteria are documented in the Audit Brief.</p>		
CONFORMS ✓	PARTIAL	NOT CONFORMING	

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

<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ The respective responsibilities of the internal auditors and the client and other client expectations? <p>For significant consulting engagements, has this understanding been documented?</p>	<p>There are no such engagements undertaken presently.</p>			
<table border="1"> <tr> <td data-bbox="112 502 369 558">CONFORMS N/A</td> <td data-bbox="369 502 649 558">PARTIAL N/A</td> <td data-bbox="649 502 1164 558">NOT CONFORMING N/A</td> </tr> </table>	CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A		

Questions to consider	Evidence / comments
<p>2210 Engagement Objectives</p> <p>Have objectives been agreed for each engagement?</p> <p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p> <p>Have internal auditors considered the probability of the following when developing the engagement objectives:</p> <ul style="list-style-type: none"> ■ Significant errors? ■ Fraud? ■ Non-compliance? ■ Any other risks? 	<p>Documented in the audit brief.</p> <p>This is completed whilst formulating the audit brief. Auditors will review previous audits, risk registers and other intelligence before undertaking each review. Risk profiles may also be used to assist in identifying further key risks.</p> <p>The audit brief document identifies the core risk and the objective.</p> <p>The preliminary risk assessment will ensure each of these are covered.</p>
<p>CONFORMS ✓ PARTIAL NOT CONFORMING</p>	
<p>Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?</p> <p>If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?</p>	<p>Audit Briefs are agreed with the Service Manager (sponsor) prior to the start of the work. A control matrix (RACE) is then used to evidence that all risks identified have been tested and that adequate controls are in place. This is attached to the final report issued which is issued to the relevant Corporate Director, Service Manager and the Audit Committee.</p>

<p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p> <p>If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?</p>			<p>There are no instances where the criteria have been deemed inadequate.</p> <p>The 'value for money' aspect of any service / control is considered during each review as per the audit brief.</p> <p>If there has been any work on VFM this will be documented within the report.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?</p> <p>Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?</p>			<p>There are no current consulting engagements in place.</p>
CONFORMS N/A	PARTIAL N/A	NOT CONFORMING N/A	
<p>2220 Engagement Scope</p>			
<p>Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?</p> <p>Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties?</p> <p>Does this consideration include areas under the control of outside parties, where appropriate?</p>			<p>Agreed at the start of the audit. If during the audit the scope has to be extended to ensure the objectives of the audit are met, this is agreed with the Audit and Risk Manager (CAE) as it is likely to have resource implications.</p> <p>The Audit Brief document identifies the systems, records, premises and personnel the auditor will require assess to.</p> <p>Yes where applicable; i.e. review of YMCA.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

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

CONFORMS ✓	PARTIAL	NOT CONFORMING	
2240 Engagement Work Programme			
<p>Have internal auditors developed and documented work programmes that achieve the engagement objectives?</p> <p>Do the engagement work programmes include procedures for:</p> <ul style="list-style-type: none"> ■ Identifying information? ■ Analysing information? ■ Evaluating information? ■ Documenting information? <p>Were work programmes approved prior to implementation for each engagement?</p> <p>Were any adjustments required to work programmes approved promptly?</p>			<p>The auditor will plan the work required to meet the objectives of the audit. Standard templates are in place for this purpose.</p> <p>The control and testing summary will document the objective, the information required, the testing completed, the findings and the overall conclusions and recommendations.</p> <p>Audit Committee will approve the overall work programme for the forthcoming year. The Audit, Risk and Performance Lead will agree the work programme for each quarter with the Audit and Risk Manager (CAE).</p> <p>Occasionally, work programmes are adjusted to take into consideration urgent work or investigations.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider	Evidence / comments			
6.4 2300 Performing the Engagement				
The questions in this section seek to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support engagement results and conclusions.				
2310 Identifying Information				
<p>Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?</p> <p>Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.</p>	<p>Checks are made during a full audit review that the objectives of the audit have been achieved and that there is sufficient evidence to support any findings, conclusions and the overall opinion.</p> <p>Review notes are provided after each review if further work is required or certain areas require clarification.</p> <p>Review notes will show if further information is required to support findings or if evidence is not relevant or reliable.</p>			
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CONFORMS ✓	PARTIAL	NOT CONFORMING		
2320 Analysis and Evaluation				
<p>Have internal auditors generally based their conclusions and engagement results on appropriate analyses and evaluations?</p>	<p>Confirmed by the Audit and Risk Manager (CAE) for each audit performed by the Audit, Risk and Performance Lead and by the Head of Governance and Business Support for each review carried out by the Audit and Risk Manager (CIA).</p>			
<table border="1"> <tr> <td data-bbox="76 1046 327 1098">CONFORMS ✓</td> <td data-bbox="331 1046 607 1098">PARTIAL</td> <td data-bbox="611 1046 1050 1098">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented:</p> <ul style="list-style-type: none"> ■ Intentional wrongdoing? ■ Errors and omissions? ■ Poor value for money? ■ Failure to comply with management policy? ■ Conflicts of interest? 	<p>The key risks around these areas are identified at the start of the audit.</p> <p>Auditors are experienced in the areas there are required to audit throughout the council and remain alert to any weaknesses / control failings.</p> <p>Documented in standardised working papers.</p>			

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

Questions to consider			Evidence / comments
<p>Does the CAE control access to engagement records?</p> <p>Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?</p> <p>Has the CAE developed and implemented retention requirements for all types of engagement records?</p>			<p>Access rights are documented in the Audit Charter. The audit reports state that the working papers can be viewed on request.</p> <p>Audit files have not been released to external parties other than the council's External Auditor.</p> <p>Information Asset Registers document the required retention periods for all audit records.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?</p>			<p>Retention periods are consistent with organisational and regulatory guidelines. At present the majority of audit files are retained for 7 years (6 plus current) in accordance with the Government Classification Scheme.</p>
2340 Engagement Supervision			
<p>Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?</p> <p>Is appropriate evidence of supervision documented and retained for each engagement?</p>			<p>File reviews, feedback and performance appraisals are used to ensure that training or development issues are highlighted.</p> <p>File reviews and performance appraisal documents are retained evidencing supervision.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
6.5 2400 Communicating Results			
<p>The questions in this section seek to confirm that internal auditors communicate the results of engagements in an appropriate way.</p>			
2410 Criteria for Communicating			
<p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> ■ The engagement's objectives? ■ The scope of the engagement? ■ Applicable conclusions? ■ Recommendations and action plans, if appropriate? 			<p>Audit reports are issued as appropriate to the Section 151, Corporate Directors, Heads of Service, key operational staff, Audit Committee and the External Auditor.</p> <p>A standardised report format is used ensuring that each of the criteria is communicated.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?			A closure meeting is arranged with the relevant officers to agree factual accuracy, findings and agree actions.
CONFORMS ✓	PARTIAL	NOT CONFORMING	
<p>If recommendations and an action plan have been included, are recommendations prioritised according to risk?</p> <p>If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?</p> <p>If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?</p>			<p>Wyre recommendations are given a priority risk rating of 1 to 4. Level 1 recommendations require immediate action and level 4 recommendations have no set timescales and include suggestions for improvements / efficiencies in service delivery.</p> <p>The action plan identifies the management response and timescales for action.</p> <p>The management response would only identify areas of disagreement where appropriate.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

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

2420 Quality of Communications			
Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?			<p>All documents are reviewed by the Audit and Risk Manager (CAE). Review notes are provided to correct any work that does not meet quality standards.</p> <p>Closure meetings are also used to agree the factual accuracy of the report and findings.</p> <p>Feedback was not sought on internal audit reviews carried out in 2021/22 as the contract for software (Limehouse) used to facilitate the feedback process came to an end. A new process has since been agreed for the audit year 2022/23 and onwards.</p> <p>The client is provided with an opportunity to challenge whether they consider the report to be constructive as part of the closure meeting and again by attending Audit Committee if appropriate.</p> <p>The timeliness of reports is monitored and reported to Audit Committee.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2421 Errors and Omissions			
If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?			<p>The closure meeting is designed to identify and resolve any significant errors or omissions, however the report would be re-issued where necessary.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	
2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'			
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?			<p>Reported in each audit report and as part of the Annual Internal Audit Report.</p>
CONFORMS ✓	PARTIAL	NOT CONFORMING	

Questions to consider	Evidence / comments
2431 Engagement Disclosure of Non-conformance	
<p>Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:</p> <ul style="list-style-type: none"> ■ The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? ■ The reason(s) for non-conformance? ■ The impact of non-conformance on the engagement and the engagement results? 	<p>No specific engagements have been impacted on by non-compliance with the PSIAS.</p>
<p>CONFORMS N/A PARTIAL N/A NOT CONFORMING N/A</p>	
2440 Disseminating Results	
<p>Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?</p>	<p>Reporting arrangements are documented within the Audit Charter.</p>
<p>CONFORMS ✓ PARTIAL NOT CONFORMING</p>	
<p>Has the CAE communicated engagement results to all appropriate parties?</p>	<p>Audit reports are issued as appropriate to the Section 151 Officer, Corporate Directors, Heads of Service, key operational staff, Audit Committee and the External Auditor.</p>
<p>CONFORMS ✓ PARTIAL NOT CONFORMING</p>	
<p>Before releasing engagement results to parties outside the organisation, did the CAE:</p> <ul style="list-style-type: none"> ■ Assess the potential risk to the organisation? ■ Consult with senior management and/or legal counsel as appropriate? ■ Control dissemination by restricting the use of the results? 	<p>Engagement results have not been released to parties outside the organisation other than the council's External Auditors.</p>
<p>CONFORMS N/A PARTIAL N/A NOT CONFORMING N/A</p>	

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

Questions to consider	Evidence / comments			
2450 Overall Opinion				
<p>Has the CAE delivered an annual internal audit opinion?</p> <p>Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control?</p> <p>Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?</p> <p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?</p>	<p>The CAE presents an annual audit opinion to the Audit Committee prior to the Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.</p> <p>The annual audit report is scrutinised by the Corporate Director Resources (Section 151 Officer) and presented to Audit Committee for consideration.</p> <p>The Audit Opinion is then subject to scrutiny by the Audit Committee and the External Auditors.</p>			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">CONFORMS ✓</td> <td style="width: 33%; text-align: center;">PARTIAL</td> <td style="width: 33%; text-align: center;">NOT CONFORMING</td> </tr> </table>	CONFORMS ✓	PARTIAL	NOT CONFORMING	
CONFORMS ✓	PARTIAL	NOT CONFORMING		
<p>Does the communication identify the following:</p> <ul style="list-style-type: none"> ■ The scope of the opinion, including the time period to which the opinion relates? ■ Any scope limitations? ■ The consideration of all related projects including the reliance on other assurance providers? ■ The risk or control framework or other criteria used as a basis for the overall opinion? <p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?</p> <p>Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?</p>	<p>All areas documented in the Annual Audit report.</p> <p>In providing an overall opinion on the council’s system of internal control, it should be noted that assurance can never be absolute. Internal audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed.</p> <p>Where a qualified or unfavourable opinion is given this would be fully explained in the annual audit report.</p> <p>See annual governance statement and section entitled ‘review of effectiveness’.</p>			

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

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

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



Report of:	Meeting	Date	Item no.
Corporate Director Resources (S.151 Officer)	Audit and Standards Committee	20 June 2023	

INTERNAL AUDIT ANNUAL REPORT 2022/23

1. Purpose of report

1.1 To consider the Internal Audit Annual Report for 2022/23 (1 April 2022 – 31 March 2023) and review progress in relation to risk management activity.

2. Outcomes

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

3. Recommendation

3.1 Members are asked to consider the Internal Audit Annual report attached at Appendix 1, the risk management progress report at Appendix 2, the strategic and ICT risk registers at Appendices 3 and 4 and the Quality Assurance Improvement Plan (QAIP) at Appendix 5.

4. Background

4.1 The Internal Audit Annual Report is produced in order to meet the requirements of the Public Sector Internal Audit Standards (PSIAS) and to assist in meeting the Accounts and Audit Regulations 2015.

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

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

4.4 The attached report provides details of audit coverage during 2022/23 enabling the Audit and Risk Manager to make a balanced opinion in relation to internal control, risk management and governance processes across the organisation.

5. Key issues and proposals

5.1 The Internal Audit Annual report, risk management progress report, risk registers and the QAIP are attached at Appendices 1, 2, 3, 4 and 5.

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

Other risks/implications: checklist

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

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

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

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	23 May 2023

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

List of appendices

Appendix 1 – Internal Audit Annual Report 2022/23

Appendix 2 – Risk management progress report

Appendix 3 – Strategic risk register

Appendix 4 – ICT risk register

Appendix 5 – Quality Assurance Improvement Plan (QAIP)

INTERNAL AUDIT ANNUAL REPORT 2022/23

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

Members of the Audit and Standards Committee should note that copies of internal audit reports are circulated to the Committee on completion and an adobe version is added to the councillor portal. Access to the supporting files are available on request.

Wyre Council continues to be represented on the Lancashire District Council’s Audit Group and we continue to participate in the National Fraud Initiative data sharing exercise and work closely with our insurer, Zurich Municipal. Following a recent insurance tender exercise, from 29 June 2023 the council will also appoint an additional insurer (Travellers) to manage the council’s property portfolio. The Insurance and Business Continuity Officer participates in the North West Insurance Officer Group with other Local Authorities in Lancashire.

Internal Audit continues to provide the council with the necessary assurance about its various activities and associated systems, as outlined in the Internal Audit Charter which is reviewed and approved by the Audit and Standards Committee annually.

Currently all audit work is completed by the in-house team. However, with effect from August 2023 the best value partnership with Lancashire County Council’s Audit Service will be utilised to complete a number of days in the 2023/24 audit plan to facilitate the flexible retirement of the Audit and Risk Manager. The use of this service will be reviewed annually.

Internal audit work is benchmarked where possible with other Local District Councils who participate in the Public Sector Internal Audit peer reviews to ensure that quality and standards are maintained. Standardised working papers and report templates, along with a robust review process prior to report publication, ensures continual conformance to the PSIAS, consistency and high standards of reporting are maintained.

An electronic feedback system was introduced during 2022/23 and the feedback received during the year indicates that the work of internal audit continues to be highly regarded across the organisation. Recent feedback received included the following statement “thank you for your hard work you put into this report. The report was put together well and is factually based on all the information provided”.

To ensure Internal Audit are flexible and responsive to emerging risks across the organisation, quarterly audit planning has continued during 2022/23 rather than the production of an annual plan. A plan containing audit priorities was populated to ensure key risks identified during strategic and operational risk workshops and the assurance mapping exercise were addressed. The plan is separated into two main sections, the first section details audit work that needs to take priority in quarter one (April - June

2022). The second section documents potential forthcoming priorities for quarter's two to four. The plan is reviewed on a quarterly basis following examination of risk registers and any new audits added according to risk.

All the audit work that forms the annual opinion for the period 1 April 2022 to 31 March 2023 has been completed by the in-house team. This report details the outcome of this work and also any other areas of work that have been completed to assist in making an overall audit opinion on the council's internal control environment.

Audit Work Performed in 2022/23

In November 2021 a decision was taken to change the previously used audit opinions to be in line with other Local Authorities. Therefore, some of the audit opinions (follow-up work from 2021/22) in the table below reflect the previous definitions. The priority rankings for audit actions have been left the same. Summarised below are the reviews that have taken place during 2022/23.

AUDIT OPINION DEFINITIONS (April – November 2021)

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

AUDIT OPINION DEFINITIONS (November 2021- March 2023)

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

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Inspection Regime – Site Inspections- second follow-up)	Final Report Issued January 2023	0	7	0	0	0	Fair	<p>The original review of Site Inspections was completed in October 2020 as part of the 2019/20 audit plan and given an overall opinion of ‘fair’. A follow-up review was completed as part of the 2021/22 audit plan and of the 7 findings originally reported, these all still remained outstanding; namely;</p> <ul style="list-style-type: none"> • A documented inspection policy / procedure or staff guidance manual has not been compiled for by all departments; • Formal training on the completion of inspections has not been given to all inspection staff; • Inspections are not carried out in accordance with the agreed frequency in all instances; • The recording of the actions taken to repair any defects identified is not completed and retained by all departments; • Accurate inspection records of the areas inspected and the defects identified are not completed in all instances; • Formal retention periods for completed inspection records have not been agreed for all departments; and • Monitoring of inspection processes and feedback to staff is not routinely undertaken.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>Owing to the number of outstanding recommendations, the overall opinion remained as 'fair'. The second follow-up was delayed until December 2022 owing to the appointment of a new Head of Service. It was identified that there had been no movement on the outstanding actions and therefore, the opinion remained unchanged. In accordance with the Audit Charter, as the audit opinion had remained the same after two follow up reviews, this was reported to the Audit Committee on the 28 February 2023.</p> <p>A third follow- up will be completed in Q1 of the 2023/24 audit plan.</p>
Beach Management Scheme	On-going	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>The Audit and Risk Manager continues to attend the monthly beach management board meetings to provide advice and support in respect of internal control, risk management and governance procedures. Whilst a report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given in relation to this project to date. However, whilst the Phase 1 works are progressing well, substantial assurance has not been given, owing to continued delays in the production of a licence issued by the Marine Management Organisation (MMO) which is required before the Phase 2 work can commence in August 2023 by Wyre's contractors. The scheme is expected to</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>complete in July 2027 and there are concerns that further delays in the issue of this licence will impact the completion date and therefore the project's objectives will not be met.</p> <p>The beach management scheme remains on the audit plan priorities for 2023/24.</p>
Project Neptune	On-going	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>Project Neptune was successfully completed on the 10 August 2022 resulting in the ownership of the constructed buildings being formally passed to the council. Responsibility for the ongoing implementation and management of the tenancy arrangements and agreements has been passed to the Estates Team.</p> <p>Whilst an overall report has not been produced for this project, for the purpose of the overall annual opinion for 2022/23 reasonable assurance has been given owing to their still being outstanding issues in respect of the signing of the leases.</p>
Covid-19 grants - Post assurance testing	On-going	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>Following the introduction of the Covid-19 business grants in April 2020, pre and post assurance work required by the Department for Business, Energy and Industrial Strategy (BEIS) continued during 2022 and all councils were requested to submit supporting evidence</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>in respect of all the business grants received during 2020/21.</p> <p>This post assurance work was finalised in 2023 and only minor queries have been received from BEIS based on the evidence supplied and all have been responded to satisfactorily. Whilst compliance certificates have been received for the first 3 grants issued, it is unclear if these certificates will be issued for other tranches.</p> <p>Whilst an overall report has not been produced for this post assurance work, for the purpose of this report an overall opinion of ‘substantial’ is appropriate. Working papers are in place to support this opinion. Should the compliance certificate be returned by BEIS as a fail, this area and opinion will be revisited.</p>
Matrix Agency Staff contract (follow-up)	Final Report Issued October 2022	0	0	5	0	0	Reasonable Assurance	<p>The original review of the Matrix Agency contract was completed in January 2022 as part of the 2021/22 audit plan and given an overall opinion of ‘Limited’. A follow up has been completed as part of the 2022/23 audit plan and whilst all of the 5 findings originally reported have now been implemented, the overall opinion has been graded as ‘reasonable’ owing to the possibility that some services will continue to procure agency staff without consulting HR.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								A further action has been added to try and mitigate this risk and this will be monitored through the GRACE risk management system.
Citizen Access Portal and council website	Final Report Issued February 2023	0	3	3	0	0	Reasonable Assurance	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • A formal renewal of the three year contractual agreement with Spacecraft Creative Ltd had not been completed; • The support received from Jadu and their resolution of queries raised is considered to be below standard; • Responsibility for the administration of the user access to the XFP system is required; • A privacy notice for the CXM and XFP system is required, together with the implementation of an agreed retention period and completion of an information asset register; • Regular reviews of outstanding service requests on the CXM system is required; and • The monthly programme of in-house 10% sample checks to check the accuracy of the website and intranet pages has not been routinely completed.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								As this review has received a reasonable assurance opinion, a further follow-up is not required. However, the implementation of the recommendations will be monitored through the GRACE risk management system.
Business Health Matters programme	Position Statement Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>A review of the Business Health Matters programme commenced in August 2022 and initial testing of the compliance with the terms and conditions of the service level (SLA) agreement with Active Lancashire was completed. However, during the course of the review, Active Lancashire significantly changed the terms and conditions of the SLA, impacting on the delivery of the scheme and agreed targets. This resulted in Wyre Council withdrawing their participation in the programme. The repayment of the funding underspend of £29,710 will be submitted to Active Lancashire on request.</p> <p>Whilst a formal report was not considered necessary in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given owing to the council retaining robust documentation in relation to the programme to date and it can demonstrate how the underspend has been calculated should a clawback of funding be requested.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
VAT – Key Financial Risk Matrix (KFRM)	KFRM Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>Following the turnover of staff in the Finance Team during 2020-22 resulting in a number of vacant posts and a loss of knowledge / experience within the team, a KFRM has been completed to document all controls in relation to the VAT system / process to identify any areas requiring improvement. The following observations were made which require strengthening;</p> <ul style="list-style-type: none"> • Finance staff are not always informed of large projects that have VAT implications impacting the partial exemption limit; • Compliance checks are not routinely completed to ensure VAT is being accurately recorded by staff when processing or raising invoices. <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given. Working papers are in place to support this opinion. No follow-up review is required, however, the implementation of the recommendations made will be monitored using the GRACE risk management system.</p>
Expenses – Key Financial Risk Matrix	KFRM issued to Head of	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>Following the turnover of staff in the Finance Team during 2020-22 resulting in a number of vacant posts and a loss of knowledge / experience within the team, a</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
	Service (Finance)							<p>KFRM has been completed to document all controls in relation to the expenses system / process to identify any areas requiring improvement. The following observations were made which require strengthening in relation to the following:</p> <ul style="list-style-type: none"> • A number of procedural documents require updating or removing from the Hub; • The procedure for processing the expenses interface should be documented and made available to all staff; and • Training should be provided to another officer to complete the expenses interface during the absence of the Financial Systems and Reporting officer. <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given. Working papers are in place to support this opinion. No follow-up review is required, however, the implementation of the recommendations made will be monitored using the GRACE risk management system.</p>
Debtors and Recovery – Key Financial Risk Matrix (KFRM)	KFRM issued to Head of	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	Following the turnover of staff in the Finance Team during 2020-22 resulting in a number of vacant posts and a loss of knowledge / experience within the team, a

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
	Service (Finance)							<p>KFRM has been completed to document all controls in relation to the debtor and recovery system / process to identify any areas requiring improvement. The following observations were made which require strengthening in relation to the following:</p> <ul style="list-style-type: none"> • The Corporate Sundry Debtor Policy available on the Hub requires updating where necessary; • Access permissions allocated to the Recovery Team require reviewing to ensure an adequate segregation of duties exists; • A review of civica service access permissions is required to remove all staff leavers; and • Debts written-off the system are not independently reconciled to approved write off schedules. <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given. Working papers are in place to support this opinion. No follow-up review is required, however, the implementation of the recommendations made will be monitored using the GRACE risk management system.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Creditors – Key Financial Risk Matrix (KFRM)	KFRM issued to Head of Service (Finance)	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>Following the turnover of staff in the Finance Team during 2020-22 resulting in a number of vacant posts and a loss of knowledge / experience within the team, a KFRM has been completed to document all controls in relation to the creditors system / process to identify any areas requiring improvement. Two observations was made which require strengthening in relation to the following:</p> <ul style="list-style-type: none"> • Staff resourcing issues across the service still exist; and • Civica system reports identifying the retrospective issue of purchase orders are issued but no action is currently taken to address non-conformance to policy / procedure. <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given. Working papers are in place to support this opinion. No follow-up review is required, however, the implementation of the recommendations made will be monitored using the GRACE risk management system.</p>
Budgetary Control - Key Financial Risk Matrix (KFRM)	KFRM issued to Head of Service (Finance)	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>Following the turnover of staff in the Finance Team during 2020-22 resulting in a number of vacant posts and a loss of knowledge / experience within the team, a KFRM has been completed to document</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>all controls in relation to the budgetary control system / process to identify any areas requiring improvement. The following observations was made which require strengthening in relation to the following:</p> <ul style="list-style-type: none"> • The guidance / procedure notes covering the tasks to be completed require updating; • Access permissions to the Civica system require reviewing for all council leavers; • The completion of quarterly budget meetings with budget holders has been delayed due to ongoing staffing issues; and • Monthly budget reports are issued to budget holders, but confirmation of their review of these reports is not requested. <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given. Working papers are in place to support this opinion. No follow-up review is required, however, the implementation of the recommendations made will be monitored using the GRACE risk management system.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Payroll – Key Financial Risk Matrix (KFRM)	KFRM issued to Head of Service (Finance)	N/A	N/A	N/A	N/A	N/A	Limited Assurance	<p>Following the transfer of the payroll function from the HR Team to the Finance Team in July 2021, a KFRM has been completed to document all controls in relation to the payroll system / process to identify any areas requiring improvement. The following observations were made which require strengthening;</p> <ul style="list-style-type: none"> • The current staffing structure does not allow for an appropriate segregation of duties to be maintained within the payroll process; • The Financial Systems and Reporting Officer (FSRO) is the only officer within the Finance Team with the required knowledge to complete the payroll processes; and • The payroll procedures / process is not documented to assist officers when completing the payroll processes during the absence of the FSRO. <p>Whilst a formal report was not published in relation to this work, for the purpose of the overall opinion for 2022/23 a 'limited' assurance' opinion was given. A further follow up will be carried out in later this month.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Treasury Management – Key Financial Risk Matrix (KFRM)	KFRM issued to Head of Service (Finance)	N/A	N/A	N/A	N/A	N/A	Substantial Assurance	<p>Following the turnover of staff in the Finance Team during 2020-22 resulting in a number of vacant posts and a loss of knowledge / experience within the team, a KFRM has been completed to document all controls in relation to the treasury management system / process to identify any areas requiring improvement. Only one area was identified that required strengthening in relation to the documented staff procedures, which require updating.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 ‘substantial assurance’ has been given. Working papers are in place to support this opinion. No follow-up review is required, however, the implementation of the recommendation made will be monitored using the GRACE risk management system.</p>
Main Accounting - Key Financial Risk Matrix (KFRM)	KFRM issued to Head of Service (Finance)	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>Following the turnover of staff in the Finance Team during 2020-22 resulting in a number of vacant posts and a loss of knowledge / experience within the team, a KFRM has been completed to document all controls in relation to the Main Accounting system / process to identify any areas requiring improvement. The following observations were made which require strengthening;</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • The bank account reconciliation requires completing on a monthly basis; • The procedure documents for all the main accounting duties require updating to reflect current processes; • Access permissions to the Civica system require reviewing to ensure all leavers are removed from the system; • Virements are not routinely complete following a Portfolio Holder decisions due to a lack of awareness of these decisions; and • The Civica Pay suspense account is routinely cleared. <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given. Working papers are in place to support this opinion. No follow-up review is required, however, the implementation of the recommendations made will be monitored using the GRACE risk management system.</p>
Fleetwood and Poulton Market (inc: cash receipting)	Final report issued August 2022	0	10	2	0	0	Reasonable Assurance	Areas have been identified where improvements could be made to strengthen the control environment, namely:

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • A service plan for the Fleetwood and Poulton Markets has yet to be finalised; • The recording of TOIL balances and annual leave allowances are not always accurately recorded on the CROWN time recording system; • Staff appraisals have not been completed during 2021 and must be completed by the end of January 2023; • Further training on the operation of the CCTV system at the market is required together with the completion of spot checks of all viewings of recorded data; • The information asset register compiled by the Estates Team or CCTV Service requires updating to include the Market CCTV system; • Evidence of all current public liability insurance policies held by permanent and casual tenants occupying market stalls is required; • Evidence of the contractual agreement for the cash machine located at the market is required to review terms and conditions; • The issue of a purchase card replacing the petty cash float should be considered to avoid delays in the reimbursement of this float;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • The monthly management meetings during which rent arrears are discussed should be re-introduced; • Two actions identified during the 2021 health and safety building audit relating to the electrical remedial works and the completion of actions arising from the 2021 legionnaires risk assessment have yet to be fully implemented; • Site security during non-trading days must be maintained whilst contractors are on site to prevent unauthorised access; and • Three actions arising from the 2021 review of cash handling still require implementing i.e. cash office risk assessment / installation of a card payment facility and replacement cash till. <p>As this review has received a 'reasonable assurance' opinion a further follow-up is not required, however, the implementation of the recommendations will be monitored through the GRACE risk management system.</p>
Data Protection Policy and process review	Final report issued November 2022	1	12	9	0	0	Limited Assurance	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Information Asset Registers require reviewing and updating;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • Reliance is placed on individual service managers to ensure all processors comply with the terms of any written contracts or data sharing agreements; • A number of individual service privacy notices are still required; • The completion of Data Privacy Impact Assessments are not routinely completed for all data processing activities; • No DPA refresher training is completed for existing staff; • Regular monitoring of outstanding FOI / EIR cases is required; • Access to redaction software is limited to key staff; • FOI / EIR is not currently included in the induction process for new starters; • A separate information security policy and training programme is required; • A central register showing third party / IT suppliers access to systems is required; and • A review of contracts / agreement in place with IT suppliers is required to ensure these included the relevant information security requirements. <p>As this review has received a 'limited assurance opinion', a further follow-up will be completed in June 2023 to ensure the</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								recommendations made have been addressed. However given the large volume of work that is required to implement all the recommendations made, particularly in respect of the Information Asset Registers, it is expected that a further follow-up will need to be scheduled later in the year.
Market House Studios	Final Report Issued June 2022	0	2	4	0	0	Reasonable Assurance	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely:</p> <ul style="list-style-type: none"> • A review of the service objectives established prior to the Covid-19 pandemic now need reviewing and adapting to reflect current operations; • A procedural manual covering all aspects of the day to day operation of the studios is required; • The completion of an annual appraisal for the Studio Co-ordinator is required documenting personal objectives / targets; • All cash income received must be banked promptly; • Staff training on the Civica system is required to assist the monitoring of rent arrears and budget monitoring; and • All completed risk assessments must be agreed and signed off with tenants.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								As this review has received a 'reasonable assurance' opinion, a further follow-up is not required. However, the implementation of the recommendations will be monitored through the GRACE risk management system.
Corporate complaints – Review of Stage 2 complaints	Update provided to Head of Service	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>At the request of the Head of Governance and Business Support a piece of work was carried out to review the council's complaints procedure. In particular to ensure that all escalations to stage 2 had been completed correctly and any recommendations of suggestions of improvement had been implemented to prevent further complaints of the same nature. Of the 19 complaints recorded and reviewed since, June 2022 there were 2 instances where complaints had been incorrectly progressed to stage 2. There were no other issues highlighted. Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2022/23 'reasonable assurance' has been given. Working papers are in place to support this opinion. The work completed will allow the Head of Governance and Business Support to report on the effectiveness of the complaints procedure in the Annual Governance Statement.</p> <p>No follow-up review is required.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Building Maintenance – new reactive repairs framework	Draft report issued May 2023						Limited Assurance – Draft Opinion	<p>The overall object of the audit is to review the controls in place around the management of the Building Maintenance re-active repairs framework to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>Whilst a final report has not yet been published, based on the completed fieldwork to date, it is anticipated that 'limited assurance' will be given and therefore a further follow up will be completed.</p>
Marine Hall	Draft report issued May 2023						Minimal Assurance – Draft Opinion	<p>The overall object of the audit is to review the controls in place to manage the Marine Hall to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>Whilst a final report has not yet been published, based on the completed fieldwork to date, it is anticipated that 'minimal assurance' will be given and therefore a further follow up will be completed.</p>
Civica Pay	Fieldwork still in progress							<p>The overall object of the audit is to review the controls in place around the Civica Pay system to identify any areas of potential weakness and / or risk and</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>The fieldwork will be completed within the next few weeks and a report issued accordingly.</p>

2022/23 Audit work not completed

Election accounts – this review has been included in the audit plan since 2021/22. However, owing to key staff absence during 2022 and the requirement to prepare and deliver the most recent local election in May 2023. This piece of work has been rolled to the 2023/24 audit plan and testing will be scheduled for June / July 2023 plan.

Grant schemes compliance audits – these reviews have been included in the audit plan since 2021/22 and owing to the Covid-19 pandemic this initially focused on the post assurance reviews for the all of the Covid-19 grants, which have now been finalised. Further work on this area will now be completed later this year and will focus on the various projects in receipt of the grant funding including the governments levelling up agenda.

Other audit work undertaken during 2022/23

Assurance mapping exercise

To assist with the development of the 2023/24 audit plan and ensure audit resources are maximised, assurance mapping statements were completed in December 2022. Each council service was asked to identify other sources of assurance being received, in addition to that provided by internal audit and to identify any areas of risk that may requiring internal audit assurance for inclusion in the 2023/24 audit plan. The statements are signed-off by each relevant Director and validation of these additional assurances which are being relied upon in reaching the overall audit opinion, will be sought from LCC's Audit Services later this year.

National Fraud Initiative – Cabinet Office data matching exercise

Since the last NFI update was presented to the Committee in November 2022, progress has been made to investigate the matches resulting from the 2022/23 council tax single person discount (SPD) data matching exercise. In October 2022, using NEC campaign software, the Compliance Team issued a standard letter to all households in council tax band F to H in receipt of a SPD, requesting confirmation of their current circumstances. The responses received to date have been matched with the NFI data and as a result, a total of 49 matches have been cleared. A further 2 matches are in the process being investigated resulting in potential overpayments of £732. In addition, a further £10,000 was repaid to the council from a resident who had failed to report a change in circumstances.

The issuing of letters to households in council tax bands A to E is currently paused as a result of the compliance team's current workloads and it is hoped that this will resume later in the year to enable all NFI data matches to be investigated and cleared by the end of the year. This will hopefully see a reduction in matches for

future years as a large number of the matches received annually are historic and typically repeated year-on-year owing to not being cleared.

Procurement

In April 2022, a significant breach of procurement regulations was found to have taken place. The breach was fully investigated and reported to the Executive, the Chairman of Audit Committee and External Audit. Following an investigation, assurance was provided to the S.151 Officer that it was an isolated incident and that no malpractice was considered to be at play. A detailed action plan was formulated by the Head of Governance and Business Support, which included training for staff and minor changes to the financial regulations. It is pleasing to note that all recommendations have now been implemented and no further action is required in relation to internal control. However, a piece of work is currently being completed by the audit team to fully document all procurement processes.

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

The security and the use of the council’s business data continues to be a high priority of the organisation. The DPO reports quarterly to the CMT with the last update on the 17 May 2023 and also the Audit and Standards Committee, with the last update on the 15 November 2022.

During 2022/23 the following updates / issues were reported;

- The Data Protection and UK GDPR compliance internal audit report was finalised in November 2022. Whilst ‘limited assurance’ was given, it was considered a large piece of work, which covered a wide scope of areas. A comprehensive action plan has been formulated and all actions are monitored through the GRACE risk management system and updates are provided to the CMT and the Information Governance Group. The main area of weakness was identified as the completeness of the council’s suite of information asset registers. Whilst a number of services do hold and maintain registers, there are a number of gaps. In addition, it appears that since they were originally compiled in 2018, many of them have not been updated. The DPO delivered a training session to CMT and HOS earlier in the year which will now be rolled out to all service managers, along with an updated information asset register template. Internal Audit will continue to carry out follow-up reviews until the assurance opinion has improved.
- Both the Data Protection and Records Management Policies were approved by the Audit and Standards Committee in November 2022. These policies have now been circulated to all staff, uploaded onto the Hub and included in the council’s new starter induction manual.

- Cyber Security remains a key focus of the council and the ICT have implemented a number of changes to the council's infrastructure over the last 12 months to protect the council's main asset 'data'. To date this has included strengthening our disaster recovery infrastructure and early warning software, completing the NCSC Cyber Resilience Self-Assessment and compiling a service category and skills matrix. More recently the ICT Team have recently installed new kit (hardware and software) to strength the council's fibre connection and regular phishing testing is taking place. The Cyber Security module within Learning Pool has now been rolled out to all staff with the majority of staff having completed this. Regular reminders will be sent until a 100% success rate is achieved. Cyber and disaster recovery key risks continue to be monitored through the GRACE risk management system and are reviewed on a quarterly basis. An ICT disaster recovery plan is in place and work is ongoing to finalise the generic cyber resilience plan. It is hoped that this will be finalised over the next few months.
- Whilst Data Protection training was rolled out to all staff in in 2018 and various training has been delivered to relevant staff more recently in respect of responding to subject access, Freedom of Information and Environmental Information Request, more general training to all staff is considered overdue. The council's e-learning training platform 'Learning Pool' hosts a data protection module which will be rolled out to all staff in the next few weeks now that the cyber security training module has been completed by almost all staff. The automated prompt within Learning Pool will be utilised to ensure staff refresh this both the cyber and the data protection modules biennially.
- The Information Governance Group continue to meet approximately every two months, with the minutes / action plans from these meetings being presented to the CMT (which includes the SIRO).
- Since the 1 April 2022 to 31 March 2023, 14 incidents were reported, logged and investigated by the Data Protection Officer. Following investigation, two reports were made to the ICO, however notification was received from the ICO that they were happy with the actions taken by the council to rectify and mitigate any similar instances, therefore no further action was recommended.
- During 2022/23, two advisory notices have been received by the ICO, both have been actioned within the timescales set, with no further action from the ICO being required.
- The council's ICT Computer User Agreement was refreshed and was noted by Full Council on the 27 October 2022. This has now been be rolled out to all staff via Microsoft Teams Forms and staff have been asked to confirm

that they have read and understood its content. This exercise will be completed biennially. The refreshed agreement has also been added to the council's new starter induction manual.

Overall Opinion

Whilst cyber security and GDPR compliance continue to be the main areas of concern, it is felt that appropriate action and monitoring frameworks are in place to ensure the council is addressing any weaknesses that have been identified. Going forward, monitoring of both of these will be undertaken by CMT and the Audit and Standards Committee through regular reports from the Data Protection Officer, to ensure that improvements to the control environment are being made, reducing both the likelihood and impact of any significant data loss, theft or mis-use.

Anti-Fraud and Corruption

The council's counter fraud policies (Whistleblowing, Anti-Money Laundering, Gifts, Hospitality and Registering Interests and Anti-Fraud, Corruption and Bribery) designed to prevent and detect fraud across the council have all been recently reviewed and approved by Audit Committee in November 2022. The policies can be found on SharePoint for easy access. All new starters or presented with these policies at their induction session and Elected Members can find these on their portal.

Ethical Governance Surveys are completed every three to four years to test user's knowledge and understanding of the council's counter fraud policies. The last staff survey was completed in 2019, with a further exercise being scheduled for 2023/24. Elected Members completed the survey in 2021. An action plan was populated and the majority of the actions have now been addressed following the launch of the new councillor portal. Following the local election in May the survey will be repeated later in the year.

Two whistleblowing calls were received in 2022/23. The first incident was reported to the Audit and Standards Committee in November 2022. Since this was last reported, this investigation has now concluded and the repayment of the Wyre In Bloom funding was requested and received. The terms and conditions governing the use of this funding have been revised and these will be issued to all recipients of Wyre In Bloom funding during 2023.

The second whistleblowing call was received in December 2022. This investigation was in respect of an allegation that an officer was carrying out non work related activities during the working day. The allegation was substantiated and appropriate action was taken by the Director and Head of Service. This investigation has now concluded.

The Audit and Risk Management Team continue to maintain the register of gifts and hospitality and provide advice when necessary. There is an online e-form

which staff are required to complete on receipt of any gift or hospitality. The e-form is then passed to the Head of Governance and Business Support to be included on the council's register. Since 1 April 2022 to 31 March 2023, there have been six declarations made.

There have been no reports of suspected money laundering during 2022/23.

Effectiveness of Internal Audit Review

In accordance with the Accounts and Audit Regulations 2015, paragraph 6 (1) requires the relevant body, each financial year to conduct a review of the effectiveness of its system of internal audit. The review recognises the important role that internal audit play in the assurance process and the need to continually ensure that it remains effective. The last annual review completed by the Audit and Risk Manager and ratified by the Head of Governance and Business Support and the Corporate Director Resources (Section 151 Officer) in May 2023 (to be considered at the June Audit and Standards Committee) identified no significant issues or areas of non-compliance that require reporting in the 2022/23 Annual Governance Statement. However a few minor issues require attention. These will be added to the Internal Audit Quality Assurance Improvement Plan (QAIP). See below for further details.

In addition, in order to comply with the PSIAS an external assessment must be conducted at least once every five years by a qualified independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment in-house with independent external validation. It was agreed by the Lancashire District Chief Auditors group and validated by the Audit Committee, that peer reviews would be used to obtain the independent external validation. Wyre Council's last assessment was completed in April 2018. The report was presented to the Audit Committee on the 19 June 2018. Only three minor issues were identified, all of which have been considered and implemented where appropriate. The next peer review is scheduled to take place in July 2023.

Quality Assurance Improvement Plan (QAIP)

In accordance with the PSIAS, the Head of Internal Audit must develop and maintain a quality assurance and improvement plan (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal and external assessments. The QAIP, which was last updated following the completion of the internal audit self-assessment, which is attached at Appendix 5 for information.

The internal assessments include the following:

- An annual self-assessment of the effectiveness of the audit service using the PSIAS and the Local Government Application Guidance Note. From this assessment an action plan highlighting areas for improvement will be

- developed. The results of this exercise are reported to the Audit Committee each year;
- Feedback on the Audit and Risk Manager (CAE) is sought annually prior to their performance appraisal;
 - Six monthly monitoring of the internal audit activity to the Audit Committee; and
 - Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the section's Audit Charter and also in the PSIAS.

External assessments include:

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

Compliance to the Public Sector International Audit Standards (PSIAS)

In April 2014, the International Standard setters developed a comprehensive set of standards (PSIAS) that are expected to be in place within any effective audit organisation. The PSIAS requires that areas of non-compliance with the PSIAS Definition of Internal Auditing and the Code of Ethics are reported in the Annual Audit report and that significant deviation requires inclusion in the Council's Annual Governance Statement.

Following the last external PSIAS validation in April 2018, full compliance with the standards was reported with only minor issues identified that required consideration. Annual self-assessments continue to be completed by the Audit and Risk Manager and ratified by the Head of Governance and Business Support and the Director of Resources, with the last annual self-assessment being completed in May 2023. Following this last assessment only two minor issues were identified as requiring attention, namely:

1. Whilst the Audit and Risk Manager (CIA) has significant audit experience and has obtained 'Certified' auditor status, she currently does not hold 'Chartered' status as required by the PSIAS. Succession plans are in place and as the CIA will be commencing flexible retirement from 1 August 2023, the Audit, Risk and Performance Lead will undertake the relevant 'Chartered' qualification. The Head of Governance and Business Support will continue to ratify and countersign the Internal Audit Effectiveness review

and also the Annual Opinion until the Audit Risk and Performance Lead is qualified;

2. Owing to the Audit and Risk Manager directly managing the council's risk management function and the Audit Risk and Performance Lead being heavily involved in the procuring, training, refreshing the policy and rolling out the new risk management framework, arrangements need to be made with a third party to obtain independent assurances of the effectiveness of the risk management process and procedures. The completion of a reciprocal peer review has been included in the 2023/24 audit plan.

As reported above, there were no significant deviations that required reporting in the 2022/23 Annual Governance Statement.

Compliance Team

Since April 2020, the Compliance Team have been heavily involved in, firstly, the council's response to the pandemic and secondly responding to the cost of living crisis. In 2022/23 this involved the continued reconciliation and post-payment assurance checks in respect of the various Covid-19 schemes, the test and trace programme and self-isolation support payments. The team have also assisted in administering various schemes introduced to tackle the cost of living crisis. Debt recovery work in 2022/23 resulted in the issuing of over 13,000 reminder notices and 8,700 court summonses for Council Tax and Business Rate arrears.

Looking forward to 2023/24, the Compliance Team will continue to be responsible for follow up work in respect of the various cost of living schemes including the £150 Council Tax Energy Rebate, the Household Support Fund, Energy Bills Support Scheme Alternative Funding and the Alternative Fuel Payment Alternative Fund as well as their normal statutory debt recovery responsibilities. There is also an expectation that benefit fraud prevention and detection work will increase again as the DWP shift their focus back towards this area.

Internal Control System

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

In providing an overall opinion on the council's system of internal control, it should be noted that assurance can never be absolute. Internal Audit can only provide

reasonable assurance that there are no major weaknesses in the areas reviewed. In arriving at an opinion, consideration is given to:

- The findings from the audit work undertaken during the year;
- The results of follow up action in respect of audit work;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The risk management arrangements and the framework of assurance;
- The operation and design of the governance arrangements; and
- External assurance mapping to identify other sources of assurance.

The table below shows the total number of completed pieces of work by Wyre Council during 2022/23 and the overall audit opinion that was given.

Wyre Council Audit work completed / draft reports issued

Audits completed - old opinion definitions

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

Audits completed – new opinion definitions

Audit Opinion	Substantial	Reasonable	Limited	Minimal / No Assurance	Not yet issued	Total
Number of Audits	1	15	3	1	1	21

Of the 24 pieces of work agreed in the 2022/23 audit plan, 22 pieces of work have been completed or nearing completion. However, as explained above two pieces of work (election accounts and grant scheme compliance work) have not yet been started and have been rolled to the 2023/24 audit plan.

Annual Opinion

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

Of the 22 pieces of audit work that have been completed or nearing completion and therefore considered when formulating my overall opinion, it is pleasing to see that only one piece of work (Marine Hall) has / will be issued with a 'minimal/no assurance' opinion. The Section 151 Officer has been alerted to this opinion and a reference to this piece of work has been made in the Annual Governance Statement as a 'significant' area of concern. Three audit reviews were given a 'limited' audit opinion and as such all will be followed up within the specified timescales and will be repeated until the opinion improves.

It should be noted that there is still 1 piece of audit work that has yet to be finalised (Civica Pay). Should the findings of this piece of work have a detrimental impact on the opinion already reported, then it will be re-issued prior to the Annual Governance Statement being finalised. The two pieces of work not yet started will be completed during 2023/24 and will contribute towards next year's opinion.

The council's risk management and assurance framework and overall governance processes continue to be well supported and operate effectively across the organisation with key officers participating in face-to-face risk workshops and in the formulation of the Annual Governance Statement. With the exception of the piece of work at Marine Hall and the procurement breach, the only other significant governance issue that has been raised is the delay to the formal sign-off of the 2020/21 and 2021/22 accounts. This is a national issue with a backlog of over 1,000 local government statement of accounts still to be signed off. Wyre has met its deadlines consistently and we continue to work with Deloitte as they experience capacity pressures to get these accounts over the line.

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

RISK MANAGEMENT PROGRESS REPORT

RISK MANAGEMENT PROGRESS REPORT

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

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

The council's risk management and assurance framework continues to be well supported by CMT, the Audit and Standards Committee and across the organisation. Face-to-face risk workshops and quarterly reviews have been well attended with all responsible risk owners participating well. All risk owners have now been trained on the new GRACE system, and so far, it seems to have been well received.

Strategic Risks

Each year the council's Corporate Management Team (CMT), Head of Governance and Business Support, Audit and Risk Manager and the Audit and Standards Committee Chair attend a strategic risk workshop, to identify and prioritise risks and to produce an action plan. This year the workshop took place on the 12 January 2023 with the then Chair of Audit Committee. At the workshop, significant business risks that may impact upon the council's priorities (the business plan) were identified and assessed, and appropriate control measures were put place. The report and associated action plan is presented to Audit and Standards Committee and progress is monitored on a quarterly basis through CMT. The results of this workshop can be found at Appendix 3. Further quarterly updates are scheduled to place on the 19 July 2023 and 11 October 2023.

Operational Risks

Progress on the embedding of risk management is reported, to the Audit and Standards Committee via six monthly reports by the Audit and Risk Manager. This

is in line with the council's Risk Management Policy and Procedure, originally approved by Cabinet in April 2004 and reviewed and approved annually by the Audit and Standards Committee.

Operational risk workshops were held this year following the strategic risk workshop in January 2023, with each service unit identifying new risks that could occur during the year preventing the achievement of individual service plans. Whilst staff who have responsibilities for identified risks are encouraged to review their risks and update their action plans continually throughout the year, a number of prompts were issued to staff during the year to ensure progress was being documented.

Individual operational risk registers have not been provided as part of this report, however as explained above, Audit and Standards Committee members will be updated with any risks that are not deemed to be managed appropriately and copies of all registers can be found on the councillor portal.

ICT Risks

The council's ICT risk register is reviewed quarterly by the Corporate Director Resources, ICT Services Manager, Audit and Risk Manager and the Audit, Risk and Performance Lead. The last review was completed on 2 May 2023. The amended register following this review is attached at Appendix 4. The next quarterly review is scheduled for 1 August 2023.

Strategic Full Risk Review Report

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

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
Strategic Risk Register										
<i>Items in Group: 8</i>										
01) A high level of ongoing subsidy is required for the theatres.	The services operated from the theatres is subsidised by the council. However, owing to the rising costs of energy and national living wage, the high level of ongoing subsidy required to maintain these services may have a detrimental impact on the council's ability to deliver the business plan objectives.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	9	Monthly operational meetings for the Theatres are in place to discuss all aspects of the service. Attendees include M Hesketh, C. James, J Robinson, C Riche and a member of the marketing team.	9	Treat	4	Explore/consider the viability of a community interest company taking on the Thornton Little Theatre.	Marianne Hesketh (Corporate Director Communities)	12/07/2023
				Additional measures have been taken to try and reduce costs e.g. Monday closures to save energy costs etc.				Implementation of the Marine Hall Audit Action Plan	Marianne Hesketh (Corporate Director Communities) Karen McLellan (Chief Internal Auditor)	12/07/2023
				A project plan to determine the next steps and future options in relation to theatres has been developed.				A business options paper for 2023/24 is to be considered.	Marianne Hesketh (Corporate Director Communities)	12/07/2023
02) A high level of ongoing subsidy is required for the leisure centres.	The services operated by YMCA from the leisure centres is subsidised by the council. However, owing to the rising costs of energy and national living wage, the high level of ongoing subsidy required to maintain these services may have a detrimental impact on the council's ability to deliver the business plan objectives.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	9	Monthly management meetings have been set up with YMCA	9	Treat	4	The council will continue to explore options to reduce current energy costs e.g. solar power, pool covers etc.	Marianne Hesketh (Corporate Director Communities)	12/07/2023
				The LMR (Leisure Management Reserve) was created to meet any additional requirements from the YMCA with regard to the subsidy and ongoing replacement of equipment and maintenance and investment in the leisure centres. A top up of £250K was made as part of the closure of the 20/21 accounts to meet the anticipated additional subsidy requirement in 22/23. A reserve of £400k is available for 2023/24 however it is expected that subsidy of around £682K is going to be required which is not sustainable going forward.				Seek a change in the tenancy agreement with the electricity provider to get better rates.	Clare James (Corporate Director Resources)	12/07/2023
				A comprehensive leisure review has been undertaken.				Apply for the governments Swimming Pool Support Fund for public leisure facilities with swimming pools, administered by Sport England.	Clare James (Corporate Director Resources)	12/07/2023

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
03) An emergency incident (such as a cyber-attack) results in the loss of council systems and the potential loss of data and may significantly impact upon the councils finances, operations, reputation, and regulatory compliance status.	An emergency incident (such as a cyber-attack) results in the loss of council systems and the potential loss of data and may significantly impact upon the councils' finances, operations, reputation, and regulatory compliance status.	Lee Brophy (ICT Service Manager) Clare James (Corporate Director Resources)	9	A reserve exists to meet the cyclical and one-off costs related to ICT and with nearly £0.8m in this reserve as at 31 March 2023 it is at a robust level to meet additional cyber security costs. The reserve will continue to be monitored and increased as and when balances permit and the need arises.	6	Treat	3	cyber security training is now available on Learning Pool and has been rolled out across the authority. To date over 200 employees have completed this training. A report to identify those that have not yet completed the training and to ascertain those that need still need to for their role has been sought and those officers contacted requesting completion. An annual refresher reminder needs to be set.	Lee Brophy (ICT Service Manager) Jane Collier (Human Resources Manager and Deputy Monitoring Officer) Clare James (Corporate Director Resources)	30/06/2023
				All aspects of a cyber risk e.g. incident response and recovery, business continuity, determining priorities, minimising impacts, communication, support are standing items on the IT Steering Group.				A draft CSRP using the Local Resilience Forum template has been completed by the Deputy Emergency Planning Officer and final amendments have been agreed with the Corporate Director of Resources. The final suggested amendments will be made and the draft document presented to CMT ASAP.	Clare James (Corporate Director Resources) Stephanie Wright (Insurance Officer)	30/06/2023
				Tenable Software Solution (first line of defence) has been procured, installed and is working well.				A Portfolio Holder report (ICT Cyber Resilience and Disaster Recovery Measures) has been produced setting out options for the storage of back-ups. It has been agreed that a secondary site is to be established at Copse Road Depot. This secondary site would incorporate sufficient infrastructure to run our server estate at full capacity. The decision will be implemented over the coming months.	Lee Brophy (ICT Service Manager) Clare James (Corporate Director Resources)	30/06/2023
				A full server inventory has been produced in SharePoint				A cyber package from Viper is being explored (demos currently being sought) and if considered suitable will be rolled out to strengthen the council's cyber package. This will need to be managed outside of the council's Learning Pool system.	Lee Brophy (ICT Service Manager)	30/06/2023
				Cyber security funding of £125k has been secured to strengthen disaster recovery arrangements.				Consider using the LGA 360 degree Cyber Security appraisal.	Clare James (Corporate Director Resources)	29/12/2023
				A Technical Disaster Recovery (DR) plan (wider council plan and a technical plan) has been compiled which includes a full service catalogue and skills matrix (setting the roles and lines of responsibility between IT and service units in relation to the operation and management of systems).						
				Completion of the Data Protection and Cyber Security training modules on Learning Pool is mandatory for all new starters.						
				All new starters are required to sign the refreshed ICT Computer Use Policy. New starters are sent the policy as part of their new starter pack and have to sign and return it on their first day. This policy will be rolled out to all existing employees and Elected Members before the 1 March 2023.						
				The National Cyber Security Centre (NCSC) good practice questionnaire has been completed and reviewed by all required officers. This questionnaire provides a good baseline which will be periodically reviewed going forward.						
				Regular risk workshops take place.						
A Technical DR plan (wider council plan and a technical plan) has been compiled which includes a full service catalogue and skills matrix (setting the roles and lines of responsibility between IT and service units in relation to the operation and management of systems). This document has been reviewed by the Corporate Director of Resources. This document will be regularly reviewed and updated accordingly going forward.										

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
04) Central Government funding is insufficient to provide the current level of service especially given the significant increase in energy costs / costs of living.	Central government funding provided to each authority has only been announced for one year (2022/23). As such uncertainty regarding future funding levels remains owing to the Fair Funding Review and other funding reforms. Based on current spending, the estimated funding gap in 2027/28 is £3.7m.	Clare James (Corporate Director Resources)	9	Budget briefings recorded or delivered at SLT/CMT meetings. Same briefings delivered to Members twice a year.	4	Treat	4	A review of the councils Asset Management Plan is to be undertaken with a view to optimising council assets. An away day with the Estates Team is due to take place at the end of April to start the process.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources) Garry Payne (Chief Executive)	30/09/2023
				Regular review of achievements / progress as part of MTFP update. Regular monitoring of general balances and assessment of their likely exhaustion if no further action is taken. Levels of and top-ups to Earmarked Reserves reviewed with particular regard to those used to offset the £3.7m budget gap for 2027/28.						
				Regular review of projects as part of SLT's performance appraisals.						
				Updated efficiency plan discussed at CMT.						
				Inflation continues to rise therefore assumptions have been built into MTFP.						
05) Failure to meet carbon reduction targets	The council is unable to meet the governments target of achieving 78% carbon reduction by the 2035 deadline resulting in reputational damage and government pressures to comply.	Mark Billington (Corporate Director Environment) Sammy Gray (Climate Change and Environmental Projects Officer)	6	Climate Change Action Plan in place.	6	Treat	4	The council's Climate Change Strategy has recently been reviewed by CMT and a further revised version is to be brought back to CMT prior to it being reviewed by a consultant with a view to producing an action plan, evaluating costs and identifying what's missing etc.	Mark Billington (Corporate Director Environment) Sammy Gray (Climate Change and Environmental Projects Officer)	30/06/2023
				A Climate Change Policy Working Group has been established.						
				The Council has achieved Carbon Literacy Bronze status.						
				A climate change report with measures is reported to Management Board, CMT and the Climate Change Policy Working Group on a quarterly basis with a view to scrutinising the council's performance towards achieving the agreed carbon reduction targets.						
				Fleetwood Market decarbonisation scheme						
The key decision wheel has been rolled out and its completion will be required for all portfolio holder reports going forward.										
								A review of the efficiency programme and delivery of commercial projects to be completed to identify if this is sufficient to meet any potential funding gap.	Clare James (Corporate Director Resources)	11/07/2023
								Ongoing monitoring of energy costs and high energy users will be picked up in the October MTFP. The Procurement Officer is undertaking some pro-active work to assess energy usage across council buildings.		
								CMT and a number of HOS have received carbon literacy training. This training will be rolled out to all outstanding HOS and members of the Climate Change Working Group ASAP. Members will be trained after the May 2024 elections.	Sammy Gray (Climate Change and Environmental Projects Officer)	30/06/2023
								A climate change reduction target of 10% by May 2023 has been set per the Business Plan. However our carbon footprint is likely to show an increase due to the level of data being collated as opposed to previously. A mechanism to scrutinise the council's performance towards achieving the agreed carbon reduction target by the 2035 deadline needs to be established e.g. year on year %. It will be up to Members to decide what changes to make in order to meet the 10% target in the next financial year.	Mark Billington (Corporate Director Environment) Sammy Gray (Climate Change and Environmental Projects Officer)	30/06/2023

Risk	Risk Description	Risk Owner	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date
06) Increases in energy costs and rising costs of living	Increases in energy costs and rising costs of living will have a significant impact on local residents and businesses which will result in a significant increase in demand on council services.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	6	The council's website has been developed to provide cost of living support to residents.	6	Treat	4	A Cost-of-Living action plan has been developed which is to be regularly monitored by CMT, an update is required at the next CMT meeting.	Mark Billington (Corporate Director Environment) Peter Mason (Head of Contact Centre)	11/07/2023
				Delivering energy rebates (scheme closes 30/11/22). EBSS AF and AFG schemes now being delivered.						
				Third tranche of household support fund October 2022 - March 2023. Fourth tranche expected in 2023/24.						
				The Fees and Charges report allows service fees and charges to be increased 01/01/23 and/or 01/04/23.						
				Energy price for businesses has been capped.						
07) The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff and resulting in significant capacity issues within council teams.	The council are experiencing difficulty in attracting and retaining staff in key service areas due to competing salaries at neighbouring authorities and the private sector and a general shortage in specific skills. This is impacting on the capacity of the existing teams to maintain service delivery and deliver council projects.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	6	Hybrid Working policy in place.....	4	Treat	2	A discussion regarding non-corporate apprentices is to be held at the next CMT meeting.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	02/05/2023
				Five apprentices have been appointed.						
				The exit interview process has been changed.						
				Ongoing 'Why Wyre' recruitment campaign.						
				Review of 'Jobs Go Public' - test of new approach being used for Head of assets role in March 2023.						
				Priority one posts have been built into existing budgets.						
				Improved digital pack resulting from the Chief Executive recruitment process to be routinely used.				Mark Billington (Corporate Director Environment) Jane Collier (Human Resources Manager and Deputy Monitoring Officer) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	02/05/2023	
A fundamental review of the recruitment process has been carried out and a report to CMT produced. However this needs to be re-discussed at Management Board.	Mark Billington (Corporate Director Environment) Marianne Hesketh (Corporate Director Communities) Clare James (Corporate Director Resources)	11/07/2023								
08) Failure to comply with the UK's Data Protection (GDPR) Regulations	The council fails to comply with the UK's Data Protection and GDPR Regulations leading to investigation by the ICO and potential fines.	Joanne Billington (Head of Governance & Business Support)	4	Internal audit of Data Protection and Information Security completed and action plan produced.	4	Treat	2	Implement all actions resulting from the Internal Audit Review of Data Protection and Information Security	Joanne Billington (Head of Governance & Business Support)	11/07/2023

ICT Full Risk Review Report With Last Review Comments

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

Risk	Risk Description	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date	Last Review Comment
ICT and Digital										
<i>Items in Group: 6</i>										
01) An emergency incident (such as a cyber attack) results in the loss of council systems and the potential loss of data and may significantly impact upon the councils finances, operations, reputation, and regulatory compliance status.	An emergency incident (such as a cyber attack) results in the loss of council systems and the potential loss of data and may significantly impact upon the councils finances, operations, reputation, and regulatory compliance status.	9	A reserve exists to meet the cyclical and one-off costs related to ICT and with nearly £1.5m in this reserve as at 31 March 2022 it is at a robust level to meet additional cyber security costs. The reserve will continue to be monitored and increased as and when balances permit and the need arises.	6	Treat	3	A draft CSRP using the Local Resilience Forum template has been completed by the Deputy Emergency Planning Officer and final amendments have been agreed with the Corporate Director of Resources. The final suggested amendments will be made and the draft document presented to CMT ASAP.	Clare James (Corporate Director Resources) Stephanie Wright (Insurance Officer)	30/06/2023	Risks reviewed and update following quarterly risk workshop 02/05/23
			All aspects of a cyber risk e.g. incident response and recovery, business continuity, determining priorities, minimising impacts, communication, support are standing items on the IT Steering Group agenda.				A Portfolio Holder report (ICT Cyber Resilience and Disaster Recovery Measures) has been produced setting out options for the storage of back-ups. It has been agreed that a secondary site is to be established at Copse Road Depot. This secondary site would incorporate sufficient infrastructure to run our server estate at full capacity. The decision will be implemented over the coming months.	Lee Brophy (ICT Service Manager) Clare James (Corporate Director Resources)	30/06/2023	
			Tenable Software Solution (first line of defence) has been procured, installed and is working well.				Cyber security training is now available on Learning Pool and has been rolled out across the authority. To date over 200 employees have completed this training. A report to identify those that have not yet completed the training and to ascertain those that need still need to for their role has been sought and those officers contacted requesting completion. An annual refresher reminder needs to be set.	Lee Brophy (ICT Service Manager) Jane Collier (Human Resources Manager and Deputy Monitoring Officer) Clare James (Corporate Director Resources)	30/06/2023	
			A full server inventory has been produced in SharePoint				A cyber package from Viper is being explored (demos currently being sought) and if considered suitable will be rolled out to strengthen the council's cyber package. This will need to be managed outside of the council's Learning Pool system.	Lee Brophy (ICT Service Manager)	30/06/2023	
			A Technical Disaster Recovery (DR) plan (wider council plan and a technical plan) has been compiled which includes a full service catalogue and skills matrix (setting the roles and lines of responsibility between IT and service units in relation to the operation and management of systems).				Consider using the LGA 360 degree Cyber Security appraisal.	Clare James (Corporate Director Resources)	29/12/2023	
			All new starters are required to sign the refreshed ICT Computer Use Policy. New starters are sent the policy as part of their new starter pack and have to sign and return it on their first day. This policy will be rolled out to all existing employees and Elected Members before the 1 March 2023.							
			Completion of the Data Protection and Cyber Security training modules on Learning Pool is mandatory for all new starters.							
			Cyber security funding of £125k has been secured to strengthen disaster recovery arrangements.							
			Regular risk workshops take place.							
			The National Cyber Security Centre (NCSC) good practice questionnaire has been completed and reviewed by all required officers. This questionnaire provides a good baseline which will be periodically reviewed going forward.							
National Cyber Security Centre (NCSC) good practice questionnaire has been completed and reviewed by all required officers. This questionnaire provides a good baseline which will need to be periodically reviewed.										

Risk	Risk Description	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date	Last Review Comment
			A Technical DR plan (wider council plan and a technical plan) has been compiled which includes a full service catalogue and skills matrix (setting the roles and lines of responsibility between IT and service units in relation to the operation and management of systems). This document has been reviewed by the Corporate Director of Resources. This document will be regularly reviewed and updated accordingly going forward.							
02) Lack of resource, knowledge of specific systems and skills within the service.	The loss of experienced staff within the IT department in recent years has resulted in a lack of resource, experience, knowledge of key systems and may give rise to single points of failure in key systems resulting in service delivery being affected during staff absence.	6	<p>Wider ICT structural review has been completed to ensure service is fully resourced and to identify any skills gaps.</p> <p>The Lagan system which was one of the systems considered to have a single point of failure is no longer in use and the new CXM system has more users so is no longer a concern.</p> <p>Apprentice in post.</p> <p>All systems that are classed as having single points of failure (e.g. IDOX) will be identified during the compilation of the service catalogue and be addressed. Current concerns relate to IDOX and Civica. Recruitment of an IDOX administrator being considered.</p> <p>All systems classed as having single points of failure (e.g. IDOX) were identified during the compilation of the service catalogue. Concerns identified relating to IDOX have since been addressed, two Contact Centre staff are now picking up the IDOX role within their role, a number of procedures and processes have now been fully documented and additional support is now being provided through the IDOX contract.</p>	4	Treat	2	ICT is now nearly fully resourced. Currently shortlisting for the 1st line Help Desk Officer post.	Lee Brophy (ICT Service Manager) Jordan Cartmell (ICT Service Desk Lead) Clare James (Corporate Director Resources)	30/06/2023	Risks reviewed and update following quarterly risk workshop 02/05/23
03) Loss of the council telephone system preventing the delivery of council services to residents	The Mitel telephone system is the councils main telephone system. However, the reliability of this system continues to reduce due to the age of this and the capability of the hardware / memory capacity increasing the risk of system downtime.	3		3	Treat	1	A replacement for the Mitel system has been agreed and a contract with 8X8 is expected imminently. Once signed off the system will be implemented and will run in parallel with the Mitel system until this contract expires in October 2023. Next steps include the procurement of all necessary equipment (hand sets etc) and compilation of FAQ's for staff.	Lee Brophy (ICT Service Manager)	30/06/2023	Risks reviewed and update following quarterly risk workshop 02/05/23
04) Support for the Comino scanning system ceases following the end of the Civica contract on the 31/3/22.	The comino scanning system, which is owned by Civica is being replaced and the data held on this system is to be migrated to a new system with Northgate. However, the civica contract ended 31/3/22 and support for the comino system ceased.	6	<p>NDL have completed the bulk of the document extraction from the Comino system, meaning we have a form of backup of a significant amount of the data.</p> <p>The NEC test system is in place and available, we will be adding data as soon as we have a break down of 1yrs worth of data from NDL. This should be provided very soon.</p> <p>Training has also commenced, but some dates now pushed back due to NEC's lack of availability.</p>	6	Treat	2	Test system built and testing underway, awaiting feedback of testing before moving into live.	Lee Brophy (ICT Service Manager) Peter Mason (Head of Contact Centre)	30/06/2023	Risks reviewed and update following quarterly risk workshop 02/05/23

Risk	Risk Description	Inherent Risk Score	Existing Control Measure	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan	Action Plan Owners	Action Due Date	Last Review Comment
05) The PARIS system which contains a lot of financial data is no longer supported therefore keeping this system on the server poses new risks.	The PARIS system is no longer an active system. However, this contains a lot of financial data and is vulnerable to attack as it is no longer supported and patched therefore keeping this system on the server poses new risks.	4	The Civica system is now located on an external server therefore a major incident e.g. flood / fire would no longer impact on the infrastructure of this system.	4	Treat	2	The PARIS data is being migrated to a new server. ICT to liaise with Finance to understand the data / reports they require.	Lee Brophy (ICT Service Manager)	31/07/2023	Risks reviewed and update following quarterly risk workshop 02/05/23
							The PARIS system data is being migrated to Sequel for reporting needs.	Lee Brophy (ICT Service Manager)	31/07/2023	
06) TV Licence for all Council Buildings	The council may be at risk of prosecution/being fined if a staff member or a member of the public is found to be watching or recording TV on any channel via any TV service, (e.g. Sky, Virgin, Freeview, Freesat) watches live on streaming services (e.g. ITVX, All 4, YouTube, Amazon Prime Video, Now, Sky Go) or uses BBC iPlayer on any council premises that does not have a company group TV licence.	2		2	Tolerate	1	Information on licence requirements to be obtained.	Lee Brophy (ICT Service Manager) Katherine Pye (Engineering, Depot and Emergency Planning Manager)	30/06/2023	Risks reviewed and update following quarterly risk workshop 02/05/23. It look's like the council only has one TV licence which covers the Civic Centre on cost code 6412/46202 but does not cover other council buildings e.g. Fleetwood Market, Marine Hall, YMCA, Copse Road.

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Quality Assurance and Improvement Plan – Updated May 2023

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

The internal assessments include:

- An annual self-assessment of the effectiveness of the audit service using the PSIAS. From this assessment an action plan highlighting areas for improvements will be developed. The results of this exercise are reported to the Audit and Standards Committee in June each year;
- Feedback on the Audit and Risk Manager – Chief Internal Auditor (CIA) is sought annually prior to their performance appraisal from the S.151 Officer and the Chair of Audit and Standards Committee;
- Six monthly monitoring of the internal audit activity to the Audit and Standards Committee; and
- Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the section's Audit Charter and also in the PSIAS.

The external assessments include:

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

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

<u>QAIP Action Plan</u>	Narrative	Position as at May 2022	Actions	Position as at May 2023	Outstanding actions C/F to 2023-24 QAIP (requires declaration in the Annual Report)
Internal Audit Assessments					
Annual self-assessment of the effectiveness of the audit service using the PSIAS.	The CIA completes the self-assessment annually and this is ratified and countersigned by the Head of Governance and Business Support (HOG&BS) and the S.151 Officer. It is then approved by Audit and Standards Committee normally in June.	The self-assessment has been completed and will be submitted to the Audit Committee on 14 June 2022. The actions falling out of the self-assessment need to be added to the QAIP.	<p>From this assessment the following actions needed to be addressed;</p> <ul style="list-style-type: none"> • An independent review of the council's risk management processes needs to take place following the direct involvement in the implementing of the new GRACE risk management system, refresh of policy and training of action plan owners. • The Head of Governance and Business Support is required to ratify and countersign the Internal Audit Effectiveness review and also the Annual Audit Opinion owing to the new CIA not having Chartered status. 	<p>Further action required</p> <p>An independent peer review of the council's risk management processes was not completed in 2022/23. This has been included in the 2023/24 audit plan.</p> <p>Completed</p> <p>The HOG&BS ratifies and countersigns the IA effectiveness review and annual audit opinion.</p>	<p>Details included in the Internal Audit Annual Opinion for 2022/23.</p> <p>Peer-review of risk management arrangements have been included within the 2023/24 audit plan.</p>

<p>Six monthly monitoring of the internal audit activity to the Audit and Standards Committee.</p>	<p>In June / November the AC receives a report on progress on audit work and risk management. They also receive an update on any other governance work carried out by the IA service.</p>	<p>The Audit and Standards Committee work program schedules both a June and November update on Internal Audit, Risk Management and the council's governance arrangements. Reports are published on the Internet.</p>	<p>No concerns raised that need to be documented with the QAIP</p>	<p>Completed</p>	
<p>Feedback on the Audit and Risk Manager (CIA) is sought annually prior to their performance appraisal.</p>	<p>The Head of Governance and Business Support will contact the Chair of Audit and Standards Committee prior to CIA appraisal to make sure any issues are fed into the process.</p>	<p>The CIA's annually 1-2-1+ has not yet been carried out.</p>	<p>Prior to the CIA's annual 1-2-1+ feedback will be sought from both the Chairman of the Audit and Standards Committee and also the S.151 Officer.</p>	<p>Completed</p> <p>The CIA's 121+ was completed in September 2022 and feedback obtained.</p>	

<p>Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the section's Audit Charter and also in the PSIAS.</p>	<p>Weekly 1-2-1's with audit staff. Compliance with the PSIAS also covered in Performance Appraisals where learning, training and development are discussed.</p>	<p>All staff complete performance appraisals – PDP's sent to HR to identify training and development. It has been agreed that the Audit, Risk and Performance Lead will pursue the 'Chartered by Experience'.</p>	<p>The Audit, Risk and Performance Lead needs to register with the IIA and start a portfolio of experience ready for the September submission deadline.</p>	<p>Further action required</p> <p>Initial enquiries have been made with the IIA. This Officer will now shadow the CIA during the forthcoming year to gain the necessary experience to compile a portfolio and submit this to the IIA.</p>	<p>Details included in the annual self-assessment and the Internal Audit Annual Opinion for 2022/23.</p>
<p>External Audit Assessments</p>					
<p>Regular attendance at Audit and Standards Committee by the council's External Auditor with the opportunity to meet in private with the Committee</p>	<p>Deloitte are expected to attend each meeting. The Audit and Standards Committee work programme includes a private discussion with the External Auditor annually.</p>	<p>During the pandemic the regular catch up meetings with Deloitte were stalled. However, regular meetings are now being scheduled.</p> <p>Where the External Auditors cannot attend Committee meetings, an option to attend virtually is provided.</p>	<p>No concerns raised that need to be documented in the QAIP.</p>	<p>Completed</p> <p>Regular meetings with Deloitte have continued during 2022/23.</p>	

<p>A five yearly independent assessment of compliance to the PSIAS.</p>	<p>The Lancashire District Audit Group have decided that the external assessments will be carried out via peer review. The Last review was carried out in March / April 2018 and the next review is due March 2023.</p>	<p>The Internal Audit Team is in the process of preparing for the peer review in early 2023. This includes completing CIPFA's Internal Audit Self-Assessment in the Local Government Applicate Note. This has now been completed for 2022 and will submitted to the Audit Committee in June 2022.</p>	<p>No concerns raised that need to be documented with the QAIP.</p>	<p>In progress</p> <p>As the PSIAS peer review has now slipped to July, the 2023 self-assessment that will be submitted to the Audit and Standards Committee on the 20 June 2023 can be used.</p>	<p>Details included in the self-assessment and the Internal Audit Annual Opinion for 2022/23.</p>
<p>An annual review of the council's Annual Governance Statement which accompanies the Statement of Accounts</p>	<p>The External Auditor carries out a review of the AGS and makes reference to this review in the ISA 260 presented to the AC in June/July each year.</p>	<p>Whilst the draft AGS for 2020/21 was submitted to the Audit Committee in 2021, it is yet to be signed off as final as part of the finalisation of the Statement of Accounts.</p> <p>The AGS for 2021/22 has been drafted and will be submitted to the Audit Committee on 14 June 2022. It is hoped that the External Auditor will be in attendance.</p>	<p>Early assurance should be sought from the External Audit that the draft AGS for 2021/22 complies with CIPFA guidance and is not misleading or inconsistent with other information they are aware of from their work.</p>	<p>The AGS for 2020/21 and 2021/22 is still to be signed off by the External Auditors.</p> <p>Early assurance should be obtained from the External Auditors that the 2022/23 AGS is factual and complies with CIPFA Guidance.</p>	<p>This will be documented in the Internal Audit Annual Opinion and also documented in the AGS as a 'significant concern' for 2022/23.</p> <p>NFA required at this stage.</p>

<p>The External Auditors and the Audit and Standards Committee review and challenge all internal audit reports.</p>	<p>All Internal Audit reports are issued to both A&SC and External Audit on publication. They are also published on the SharePoint.</p> <p>The Audit and Standards Committee are encouraged to invite Services Managers to the Committee to challenge outstanding recommendations.</p>	<p>Owing to the pandemic, Service Managers have not been regularly invited to attend Audit Committee. However to facilitate this going forward, the Internal Audit Charter has now been updated to ensure that Service Managers attend Audit Committee following two follow-up reviews where the opinion has remained unchanged.</p>	<p>No concerns raised that need to be documented with the QAIP.</p>	<p>The new Audit and Standards Committee will meet for the first time on the 20 June 2023. The Committee will be informed during their training that they are encourage to invite Services Managers to the Committee to challenge outstanding recommendations.</p>	<p>NFA required at this stage.</p>
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Report of:	Meeting	Date	Item no.
Corporate Director Resources (S151 Officer)	Audit and Standards Committee	20 June 2023	

DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23
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1. Purpose of report

1.1 To approve the draft Annual Governance Statement (AGS) for 2022/23 for inclusion in the Annual Statement of Accounts following a review of the council's governance arrangements.

2. Outcomes

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

3. Recommendations

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

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

4. Background

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

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

4.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have jointly issued a framework and guidance in relation to the AGS; 'Delivering Good Governance in Local Government 2016'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on

an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation. It also recommends that when complying with the guidance, authorities should use it in a way that best reflects their structure, type, functions and size.

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

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

4.5 In addition to the consideration of the 'Delivering Good Governance in Local Government 2016' guidance, the council has also reflected on CIPFA's Advisory Note: Understanding the challenge to local authority governance (March 2022) and as a result has included a new section on how the cost of living crisis has put additional financial pressures on the council.

5. Key Issues and proposals

5.1 The draft AGS for 2022/23 is attached at Appendix 1. Once approved by the Committee, the Leader of the Council and the Chief Executive will be asked to sign the statement certifying that they are aware of the governance issues within the Authority and of the measures that are needed to mitigate them.

5.2 The statement raises three separate 'significant governance issues' and also includes a number of minor issues, which have been documented in an action plan (Appendix 2). The implementation of these issues will be monitored by CMT and the Audit Committee.

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

Other risks / implications: checklist

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

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

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

Processing Personal Data

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

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	07.06.23

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

List of appendices

Appendix 1 – Draft Annual Governance Statement 2022/23

Appendix 2 – Annual Governance Statement Action Plan 2022/23

ANNUAL GOVERNANCE STATEMENT 2022/23

1.0 INTRODUCTION TO CORPORATE GOVERNANCE

- 1.0 Good governance is about how the council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, culture and values by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities. Good governance also enables the council to pursue its corporate vision effectively, as well as underpinning that vision, with mechanisms for control and management of risks.

2.0 SCOPE OF RESPONSIBILITY

- 2.1 Wyre Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for, and that funding is used economically, efficiently and effectively. Wyre Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, Wyre Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and includes arrangements for the management of risk.
- 2.3 Wyre Council has adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE 'Delivering Good Governance in Local Government' framework 2016.

3.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

and prioritise the risks to the achievement of Wyre Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 3.3 The governance framework has been in place at Wyre Council for the year ending 31 March 2023 and up to the date of approval of the annual accounts.

4.0 WYRE COUNCIL'S LOCAL CODE OF CORPORATE GOVERNANCE

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

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

4.3 In writing this statement, consideration has also been given to CIPFA's Advisory Note: Understanding the challenge to local authority governance (March 2022).

5.0 PROCESS FOR THE COMPLETION, REVIEW AND REPORTING OF THE ANNUAL GOVERNANCE STATEMENT

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

5.2 On 24 April 2023, a governance workshop was held with key officers of the council who have the most appropriate knowledge, expertise and levels of seniority to consider the extent to which the organisation complies with the principles set out in the good governance framework. The principles were discussed in length and evidence was put forward to demonstrate how the council was meeting each of the principles. It was also an opportunity to identify any issues or gaps that could lead to a weaker governance structure.

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

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

5.4 Following the meeting, this information was collated and a draft statement was produced and circulated for comment. The final draft version of the statement is presented to Audit Committee for approval. Once approved by the Audit Committee, the statement is then signed by the Leader and Chief Executive and will ultimately form part of the 2022/23 Statement of Accounts. The draft Annual Governance Statement can be revised, up to the date of the signing of the Statement of Accounts, should there be a requirement to do so.

6.0 HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

6.1 Set out below is how the council has complied with the seven core principles set out in the CIPFA / SOLACE framework during 2022/23.

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

Behaving with integrity

- Established codes of conduct define expected standards of personal behaviour for both staff and Elected Members.
- The council has a set of corporate values for its staff reflecting public expectations about the conduct and behaviour of individuals and these are reflected in the recruitment and selection and performance appraisal processes.
- The council has a Member Code of Conduct in place that helps to achieve high standards of conduct for Elected Members.
- Elected Members attend training in relation to 'Ethical Standards' and the recently refreshed Code of Conduct.
- Induction training is in place for both staff and newly Elected Members.
- Arrangements are in place to ensure that Elected Members and employees of the council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.
- A register of interests is maintained for Elected Members and officers.
- An up-to-date register of gifts and hospitality is maintained for officers and Elected Members and is reviewed annually by the Monitoring Officer and the Audit Committee.
- There is an efficient Standards Committee. However it should be noted that following the May 2023 elections this has now been merged with the Audit Committee. A new terms of reference for the Audit and Standards Committee has been approved by Full Council in May 2023.
- Arrangements are in place for whistleblowing, to which all officers, Elected Members and all those contracting with the council have access. A fundamental review was completed in 2022 and approved by the Audit Committee in November 2022.
- Arrangements are in place so that conflicts of interest on behalf of Elected Members and officers are avoided.
- Effective, transparent and accessible arrangements are in place for dealing with complaints. This includes the use of Independent Members in relation to

councillor complaints.

Demonstrating strong commitment to ethical values

- The Head of Governance and Business Support champion's ethical compliance for both officers and Elected Members.
- Ethical Governance Surveys are carried out every three to four years to test both staff and Elected Members' knowledge and understanding of the council's key policies and procedures. The last staff survey was carried out in 2019 and the Elected Member survey took place during November 2021. This survey will be repeated for both staff and Elected Members later in the year.
- Protocols are in place for partnership working. These are documented in the council's Financial Regulations and Financial Procedure Rules and reviewed annually.
- A competency framework, listing required behaviours and values is currently used to drive recruitment and regular performance reviews are undertaken as part of the performance appraisal system.
- Policies and procedures are in place and are regularly reviewed for dealing with unacceptable behaviours.

Respecting the rule of law

- The authority observes both the Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the Role of the Chief Financial Officer and the Head of Internal Audit in Local Government with any non-compliance reported in the Annual Governance Statement.
- The Constitution sets out the responsibilities of Elected Members by defining the decision-making powers of the Council, Executive, Overview and Scrutiny and regulatory and other committees, providing clear terms of reference and describing their roles and functions.
- The Chief Internal Auditor is a 'Certified' Internal Auditor and has extensive internal audit experience.
- The Head of Governance and Business Support is a Certified and Chartered Auditor (CIA, CMIIA), holds a Qualification in Internal Audit Leadership (QIAL) and also has an Advanced Certificate in GDPR Practice.
- Anti-fraud and anti-corruption policies are in place and reviewed annually by the Audit (and Standards) Committee.
- The Monitoring Officer is responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- All allegations concerning breaches of the Code of Conduct by Elected Members are thoroughly investigated by the Monitoring Officer.
- Up to date job descriptions and person specifications are maintained for the Chief Executive, Section 151 Officer and the Monitoring Officer.
- All staff completed Data Protection training in 2018. However, this is to be refreshed later this year using the on-line training material within Learning Pool. Newly Elected Members are to receive training by an external provider in July 2023.
- Freedom of Information and Environmental Information Regulation training was provided to Service Managers in February 2022.

- Subject Access Request training was provided to all officers involved in the administration of these in February 2022.
- Regular training is provided to Elected Members who sit on regulatory committees such as Planning, Licensing and the Audit (and Standards) Committee.
- Specific legislative requirements are observed, as well as the requirements of general law. In particular the key principles of good administrative law including rationality, legality and natural justice form part of procedures and decision-making.
- Proper professional advice on matters that have legal or financial implications is available and when sought, recorded in advance of decision-making.
- Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community.
- The Council's Constitution was amended following the pandemic to allow 'Non-Executive Decisions' to be taken under 'Emergency Powers' in the event of an on-going emergency.

Core Principle B – Ensuring openness and comprehensive stakeholder engagement.

Openness

- A business plan is published annually giving information on the council's strategic narrative, priorities and performance measures which is shared with all officers, Members, partners and the community. However, it should be noted that a fundamental review is imminent following the appointment of a new Chief Executive and Leader.
- An annual Statement of Accounts is produced with an easy to read narrative report.
- The annual efficiency statement is published with the revenue estimates.
- The Corporate Director Resources (Section 151 Officer) is responsible for publishing annual accounts, in a timely manner and within statutory deadlines, to communicate the council's activities and achievements, its financial position and performance. The draft 2020/21 and 2021/22 accounts are awaiting formal sign-off following delays by External Audit and a national issue affecting infrastructure asset valuations.
- The council as a whole is open and accessible to the community, service users and its officers and is committed to openness and transparency in all its dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.
- Compliance to the Local Government Transparency Code 2015 continues to be monitored following a review in 2021/22 that identified a number of gaps.
- Wyre Voice, an information magazine produced by the council, is delivered to every household annually with a monthly E-newsletter being sent to those who have subscribed.
- A monthly newsletter 'core brief' is produced and cascaded to all staff.
- Periodic reports are produced on the overview and scrutiny function activity.
- Key decisions are published in the Schedule of Executive Decisions.
- All audio recordings of Council meetings are available on the council's website

and YouTube.

- A property investment panel has been established which considers proposals for investment opportunities.
- The Council website complies with the New Accessibility Regulations 2019.
- Full Council receives Executive Report updates from all Cabinet members.

Engaging comprehensively with institutional stakeholders

- The council continues to meet regularly with the YMCA to oversee the operation of the council's leisure centres and pools.
- The council has established a Beach Management Board that meet on a monthly basis to oversee the sea defences scheme, which is estimated to cost £42m. Internal Audit attend each meeting to provide advice and guidance on risk, control and governance issues.
- Key partnerships are periodically reviewed through the internal audit plan and the Financial Regulations and Financial Procedure Rules include advice and guidance, which can assist officers in managing the key risks of partnership arrangements.
- Corporate guidance has been issued on consultation and public involvement mechanisms offering practical steps and advice.
- The council maintains links with the parish and town councils by regular attendance at the Lancashire Association of Local Councils (LALC) meetings.
- Clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively, e.g. flood forums and the Waste Management Partnership Board.
- Household Support Funding has been distributed to local groups, charities and food banks during 2022/23.

Engaging with individual citizens and service users effectively

- The council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and are clearly articulated and disseminated.
- Arrangements are in place to enable the council to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and there are explicit processes for dealing with these competing demands.
- The council has a digital hub located at the Fleetwood Market in partnership with Citizens Advice to provide additional support to residents to help them develop their digital skills.
- Community engagement takes place across Wyre through engagement roadshows, attending regular events and local partnership meetings. Local third sector organisations are supported through regular communications, workshops and updates to enable them to make a difference to communities in Wyre.
- The council undertakes regular consultations, including the annual budget consultation, and all are available through the online consultation portal.

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

Defining outcomes

- The Council has made a clear statement of its vision, ambitions, key programmes and projects in its business plan (2019 – 2023) which is used for service and corporate planning.
- The business plan includes a set of measures defining outcomes which are reported quarterly to the Overview and Scrutiny Committee.
- There are effective arrangements to deal with failure in service delivery.
- There is a corporate complaints procedure. Annual reports from the Local Government Ombudsman are available on the website. Our record for dealing with complaints and the low number received is strong.
- The medium term financial plan (MTFP) / revenue estimates and capital programme are soundly based and are designed to deliver the council's strategic priorities.
- The council's approach to value for money is reflected in the annual efficiency statement reported to Cabinet, with targets and achievements monitored throughout the year.
- Strategic, operational and ICT (including cyber security) risk registers are maintained on a dedicated risk management system (GRACE). Risk workshops are held throughout the year to review current risks and controls and identify any new risks. Risk registers are reviewed quarterly, in line with the Risk Management Policy and Procedure.

Sustainable economic, social and environmental benefit

- The council embraces community engagement and involvement and encourages neighbourhood engagement. It works collectively with ward councillors, parish and town councillors, community groups and other partner organisations to identify local issues and priorities.
- Following the declaration of a climate emergency in July 2019 the Council continues to work through a comprehensive action plan of key issues effecting both council services and the wider community. A Climate Change Strategy is also being developed to better steer the strategic focus of the council.
- The council has been accredited as a Bronze Level Carbon Literate Organisation and was the first authority in Lancashire to achieve this status.
- Our business plan states a number of ambitions which will improve the health and wellbeing of our communities.
- The Council is working with partners within the Lancashire and South Cumbria Integrated Care Partnership to improve access to health and care services and to help individuals make choices that will improve their own health and wellbeing and address the root causes of ill health. This work includes linking in with the Lancashire and South Cumbria Integrated Care Board and with a broad range of partners (including other local authority partners, the NHS and Voluntary Community Faith Sector organisations) within the North Lancashire Place Based Partnership.
- The business plan is subject to an equality impact assessment on an annual

basis.

- Equality and Diversity Training took place for key staff in 2022.
- The development and delivery of the local plan has been subject to extensive consultation.
- Individual projects are equality impact assessed promoting access to services.
- Our 'together we make a difference network' works with the community to identify priority projects, makes links with partners, develops relationships with key stakeholders and helps facilitate the delivery of community priorities.
- The council has been awarded a number of green flag awards for our clean parks and open spaces.
- The Council's Constitution considers social value when procuring goods and services.
- The council is working with Historic England to implement a heritage scheme to create new ways to champion and revive Fleetwood's historic high streets.
- The council continues to work closely with Associated British Ports and other partners to bring new commercial floor space at Fleetwood Docks to help safeguard the fish and food processing industry for Fleetwood (Project Neptune).
- The council operates a weekly online community lottery to provide good causes and community groups with a simple way to raise funds.
- The council continues to work and support local business following the pandemic through the development of the Wyred Up business network.
- £300,000 was allocated during 2021/22 towards a new town centre strategy fund, which was formed to support our town centres following the pandemic. This has largely been used to help our four main town centres develop regeneration frameworks with any remaining funding carried forward.

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

Determining interventions

- There are mechanisms in place for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- Those making decisions are provided with information that is fit for purpose and relevant.
- Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community.
- Proper, professional advice on matters that have legal or financial implications is available and when sought, recorded in advance of decision making.
- A Digital Transformation Board is in place to oversee key ICT infrastructure projects and a Digital Transformation Strategy 2022/23 to 2026/27 has been approved by Corporate Management Team and noted by Full Council in October 2022.

Planning interventions

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

Optimising achievement of intended outcomes

- The MTFP is agreed annually in October, updated regularly and published with the revenue estimates in February.
- The MTFP, revenue estimates and capital programme are soundly configured to meet the requirements of the business plan.
- The MTFP sets out the framework for corporately managing the council's resources in the years ahead.
- Where external funding requires the reporting of outcomes and expenditure, the council complies with their reporting arrangements to ensure no loss of funding. This includes the UK Shared Prosperity Fund, Rural England Prosperity Fund and others.
- Performance outcomes are regularly reported to the Corporate Management Team, Cabinet and the Overview and Scrutiny Committee.

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

Developing the Entity's capacity

- The council continues to support the YMCA and allocated a subsidy at the start of 2022/23 to the YMCA of £347,500. This is a higher level than pre-Covid. The outturn position indicates that it was exceeded and the council will send an additional £6,900.
- Effective mechanisms exist to monitor service delivery through the overview

and scrutiny arrangements and quarterly performance reports highlight where corrective action is necessary.

- A key activity in the council's business plan is to continue the programme of works to maximise the use of our assets.
- The council subscribes to the APSE advisory service, with a view to benchmarking its front line services.
- Benchmarking is undertaken periodically via relevant Lancashire professional groups e.g. revenues and audit.
- The council's performance appraisal system allows for documentation of the development of the individual through their personal development plan.
- Internal Audit received a 'full compliance' overall opinion when assessed against the Public Sector Internal Audit Standards (PSIAS) in 2018. The next assessment has been delayed and is now taking place in July 2023. Internal self-assessments continue to take place annually.
- The council regularly benchmarks Elected Members allowances as part of the review undertaken by the Independent Remuneration Panel. The last review was completed in November 2022.
- The council attends the Lancashire Waste Partnership and contributes to shaping the Lancashire Waste Strategy; the strategy is currently under review, with the objective of delivering effective and efficient waste services for Lancashire while considering the requirements of national strategy, policy and emerging legislation. This will be achieved through consultation with advisory groups such as the Local Authority Recycling Advisory Committee (LARAC), Waste and Resource Action Programme (WRAP) and the Association of Public Service Excellence (APSE) and adhering to guidance from DEFRA (Department for Environment, Food & Rural Affairs).
- A partnership arrangement is in place with a leading external environmental enforcement provider (District Enforcement Limited) to tackle environmental crimes such as dog fouling and littering to ensure Wyre remains a clean and green borough.

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

- The Chief Executive is responsible and accountable to the council for all aspects of operational management and is expected to attend regular performance appraisal meetings with the Leader of the Council.
- The Corporate Director Resources (Section 151 officer) is responsible to the council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control.
- There is an established pay and grading structure for employees referred to as the job evaluation system and a process for appeals.
- There is a clearly defined management structure and a scheme of delegation to officers, which is underpinned by the Members' Code of Conduct and a protocol for officer / Elected Member relations.
- There are published job descriptions and established protocols, which ensure that the Leader and Chief Executive establish their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.
- Financial Regulations and Financial Procedure Rules are reviewed annually by

the Audit (and Standards) Committee.

- Career structures are in place where possible for Elected Members and officers to facilitate succession planning.
- Funding was made available to fund six new apprenticeship posts. All posts have now been filled and the apprentices are working towards their qualifications whilst gaining experience rotating across the council.
- 23 officers completed an 'Aspiring Leaders' course during 2022/23 that was run by North West Employers.
- Effective management arrangements are in place both at the top of and throughout the organisation to support the health and wellbeing of officers.
- The council has in place a 'listening service' that is believed to be well received and utilised.
- The council has a new Chief Executive who has extensive local government experience. Training in areas such as elections, has and will be arranged going forward as and when required.
- The Council's three statutory officers (Chief Executive, S.151 and Monitoring Officer) now meet on a monthly basis.
- The council ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the council.
- Training programmes are tailored to meet individual needs and there are opportunities for Elected Members and officers to update their knowledge on a regular basis.
- The council assesses the skills required by Elected Members and officers and makes a commitment to develop these to enable roles to be carried out effectively.
- Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
- Arrangements are in place via the volunteering initiative to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority. Staff can take up to 2 days paid voluntary leave each year.
- A competency framework exists to ensure that all staff have the appropriate skills enabling them to deliver high quality services.

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

Managing risk

- Risk management is embedded into the culture of the council, with Elected Members and managers at all levels recognising that risk management is part of their job.
- The Risk Management Policy and Procedure is refreshed annually and approved by the Audit Committee.
- Strategic, Operational and ICT (including cyber security) risk registers are managed through a dedicated risk management system (GRACE). Workshops

are held regularly to review current risks and identify any new risks.

- A number of services have Information Asset Registers in place which are reviewed by Internal Audit as part of each audit review ensuring compliance with legislation and demonstrating best practice in information governance. Gaps are slowly being addressed and Internal Audit and the Information Governance Group will continue to monitor these until a full suite has been achieved.
- Officers responsible for answering Freedom of Information, Environmental Information Requests and Subject Access Requests have attended mandatory training from an external provider.

Managing performance

- Performance is regularly reported to the Corporate Management Team, Cabinet and the Overview and Scrutiny Committee.
- The council has an Overview and Scrutiny Committee which allows for constructive challenge and enhances the council's performance overall.
- There are effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- There is a calendar of dates for submitting, publishing and distributing timely reports to the council's committees.
- A workshop was held in February 2023 with the Overview and Scrutiny Committee and CMT to agree the Committee's work programme for 2023/24.

Robust internal control

- An effective Internal Audit function is adequately resourced and maintained.
- Internal audit reviews are conducted under the Auditing Practices Board guidelines and in line with Public Sector Internal Audit Standards (PSIAS).
- In accordance with the Accounts and Audit Regulations 2015, an annual assessment of the council's systems of Internal Audit is carried out using the PSIAS and the checklist provided in the Local Government Application Note published by CIPFA. The standards also require an external assessment be carried out every five years. In April 2018 the Internal Audit Service received a 'full compliance' overall opinion following an external assessment carried out by Allerdale Borough Council and Preston City Council. The next review has been slightly delayed and is now scheduled for July 2023.
- A quality assurance improvement programme (QAIP) is in place to ensure the continual improvement of the internal audit service.
- An Audit (and Standards) Committee is in place, which is independent of the Executive and the Overview and Scrutiny function.
- The Audit Committee undertakes an annual review of its own effectiveness against the checklist in the CIPFA guidance 'effective audit committees' and is satisfied that it meets the required standard with only two minor actions identified following the last review in June 2022.
- Both the Audit and Risk Manager (Chief Internal Auditor) and the Audit, Risk and Performance Lead have extensive experience in internal audit. The current Chief Internal Auditor is a Certified Internal Auditor.

- The Head of Governance and Business Support holds both the Chartered Auditor and a Qualification in Internal Audit Leadership.
- The implementation of internal audit report recommendations is monitored by the GRACE risk management system, the Internal Audit Team and the Audit Committee.
- Counter-fraud policies are in place and reviewed annually. The effectiveness of these policies is reviewed on a regular basis.
- The council has an effective whistleblowing policy which is reviewed annually by the Audit (and Standards) Committee.

Managing data

- All staff completed Data Protection training in 2018. However, this is to be refreshed using the on-line training material within Learning Pool. Newly Elected Members are to receive training by an external provider in July 2023.
- The council has appointed a Data Protection Officer (and a Deputy) who is responsible for ensuring the council's compliance with any data protection legislation.
- The Audit (and Standards) Committee have delegated responsibility for ensuring the council is compliant to data protection legislation and receives six monthly updates from the Head of Governance and Business Support.
- The Audit Committee have delegated responsibility for Cyber Security. The Committee receives updates as part of the audit and risk management update in June and November.
- Information Asset Registers are in place for the majority of services to demonstrate the council knows what data it processes, where it is stored and how it is shared (data flows) internally and externally.
- Information is stored securely and confidential waste disposal arrangements are in place.
- Key performance data is regularly reviewed for accuracy by internal audit.

Strong public financial management

- Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications.
- Up to date registers of gifts and hospitality are held for both Elected Members and officers, demonstrating openness and transparency.
- Registers of interests are maintained for both officers and Elected Members.
- There is an established pay and grading structure in place for employees.
- Financial Regulations and Financial Procedures Rules are reviewed annually and any changes are presented to the Audit (and Standards) Committee for approval.
- It is expected that the External Auditors will issue satisfactory value for money commentaries for the 2020/21 and 2021/22 financial years.

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

Implementing good practice in transparency

- Wyre Voice, an information magazine produced by the council is delivered to every house in the borough.
- An easy to read ‘narrative report’ accompanies the Statement of Accounts.
- The Local Government Ombudsman annual report is presented to Full Council and also published on the council’s website.
- Compliance to the Local Government Transparency Code 2015 continues to be monitored following a review in 2021/22 that identified a number of gaps.

Implementing good practices in reporting

- Bi-Annual presentations are delivered for Elected Members concerning the council’s finances as part of the production of the revenue estimates, the capital programme and the update of the MTFP.
- A set of questions and answers supports the financial position at the year-end illustrating key issues for members of the Audit (and Standards) Committee and the relevant stakeholders.
- The annual efficiency statement is published alongside the revenue estimates as part of the report to Cabinet in February.
- The Annual Governance Statement is regularly reviewed by the Section 151 Officer and the Head of Governance and Business Support. The action plan is monitored by Corporate Management Team and reported to Audit (and Standards) Committee in June and November each year.
- Executive update reports are prepared and delivered by portfolio holders to Full Council.

Assurance and effective accountability

- An effective internal audit function is resourced and maintained enabling the Audit and Risk Manager (Chief Internal Auditor) to deliver an annual internal audit opinion.
- The Chief Internal Auditor has reported in her Annual Audit Report that reasonable assurances can be given on the overall adequacy and effectiveness of the council’s governance, risk management, and control processes (i.e. the system of internal control)’. This means that ‘generally’ there is a sound system of internal control, governance and risk management and that controls are in place and are generally being applied consistently. Whilst some issues, non-compliance or scope for improvement were identified recommendations have been made and if implemented will improve the control environment.
- In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed and presented to the Audit Committee with any areas of non-compliance documented in an action plan and in the Internal Audit Quality and Assurance Improvement Programme.

- The Audit Committee work programme provides the opportunity for the Chief Internal Auditor to have a private and confidential discussion with the Audit Committee members.
- The council participates in RIPA inspections as and when required with the last inspection being carried out in January 2022. Only minor observations were made.
- Key partnerships are periodically reviewed through the internal audit plan with delivery via third parties being included in the assurance reviews undertaken annually.
- The Financial Regulations and Financial Procedure Rules include partnership guidance which can assist officers in managing the key risks of any partnership arrangements.
- Clear terms of reference exist for the key partnerships, clarifying arrangements for accountability, for example the Waste Management Partnership and the Community Safety Partnership.

7.0 RISK MANAGEMENT FRAMEWORK

- 7.1 Overall, the council's risk management and assurance framework appears to be well embedded and supported by CMT, the Audit (and Standards) Committee and across the organisation. Other than the regular review and approval of the Risk Management Policy and Procedure in November each year and the training of the new Audit (and Standards) Committee members in June 2023, the council has no further plans to make any changes to the risk management processes going forward as it considers them to be effective and working as intended.
- 7.2 Following the purchase of a risk management system (GRACE) in June 2021, the council's risk management process is now fully automated which has allowed Internal Audit to remove themselves, as much as possible, from the management and administration of risk. All the council's key risks (operational, strategic and ICT) are now populated within the system and action plans are added and updated on a regular basis to assist with the mitigation of the risks identified.
- 7.3 Each year the council's Corporate Management Team (CMT), Head of Governance and Business Support, Audit and Risk Manager and the Audit (and Standards) Committee Chairman attend a strategic risk workshop, to identify and prioritise risks and to produce an action plan. This year, the workshop took place on 12 January 2023. The results of this workshop can be found as an appendix to the Annual Internal Audit Report for 2022/23. At the workshop, significant business risks that may impact upon the council's priorities (the business plan) are identified and assessed, and appropriate control measures are in place. The associated action plan is presented to Audit (and Standards) Committee and progress is monitored on a quarterly basis through the CMT.

- 7.4 Following the strategic risk workshops, operational risk workshops were held in February to identify any new risks that could occur during the year preventing the achievement of individual service plans. Prompts are automatically issued continually throughout the year to encourage staff to review their risks and update their action plans. ICT risks continue to be monitored quarterly, with the last review being carried out on the 2 May 2023.
- 7.5 Whilst the Audit (and Standards) Committee do not have access to the GRACE risk management system, strategic risk reports are produced and presented to the Committee on a regular basis and all Councillors have access to regular reports on the council's strategic, operational and ICT risk that are placed on their portal.
- 7.6 Whilst the Chief Internal Auditor has provided 'reasonable assurance on the overall adequacy and effectiveness of the processes in place' within the annual audit opinion, it is still the intention to obtain an independent opinion later in the year, as part of a peer review process, with a neighbouring authority who also use the GRACE risk management system.

8.0 EVALUATION OF THE EFFECTIVENESS OF INTERNAL CONTROL

- 8.1 In accordance with the Accounts and Audit Regulations 2015, the council must ensure that it has a sound system of internal control which:
- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives,
 - b) ensures that the financial and operational management of the council is effective; and
 - c) includes effective arrangements for the management of risk.
- 8.2 The council is also responsible for conducting a review each financial year of the effectiveness of the system of internal control.
- 8.3 The Corporate Director Resources (Section 151 Officer) is responsible for the proper administration of the council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations and Financial Procedure Rules, to ensure they remain fit for purpose, submitting any additions or changes necessary to the Audit (and Standards) Committee for approval and reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the Council.
- 8.4 The Council's internal audit service, via a specific responsibility assigned to the Audit and Risk Manager (Chief Internal Auditor) is required to provide an independent and objective opinion to the council on its risk management, governance and internal control environment. The Chief Internal Auditor's Annual report for 2022/23 concluded that 'reasonable assurances can be given on the overall adequacy and effectiveness of the council's governance, risk management, and control processes (i.e. the system of internal control)'. This means that 'generally' there is a sound system of internal control, governance and risk management and that controls are in place and are generally being applied consistently. Whilst some issues, non-compliance or

scope for improvement were identified recommendations have been made and if implemented will improve the control environment.

9.0 VALUE FOR MONEY COMMENTARY

- 9.1 Owing to delays on the part of the external auditor, a value for money commentary has yet to be provided for 2020/21 or 2021/22. However, to date no issues have been raised with the Section 151 Officer, in relation to either year.

10.0 SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED

- 10.1 A significant governance issue arises when something has gone wrong which will affect the overall achievement of the council's objectives. An issue may arise unexpectedly or may result from a poorly managed risk or internal controls. The determining of something being 'significant' will always contain an element of judgement, however, it is likely to be significant if it has a material impact on the council's accounts, has required resources to be diverted to deal with the issue or formal action has had to be taken from the Chief Executive, Section 151 Officer or the Monitoring Officer.
- 10.2 It should be noted that at the time of writing, the AGS for 2020/21 and 2021/22 still remains as 'draft' owing to the accounts for both these years having yet to be finalised and signed-off. Whilst no fundamental issues have yet been brought to the attention of the S.151 Officer in relation to these accounts, it is considered a significant governance concern owing to the on-going resources required to get these accounts over the line, and the lack of capacity in the External Audits arrangements. Previous assurances by Deloitte to catch up and have the accounts signed off by 31 March 2023 have not been met.
- 10.3 In April 2022, a significant breach of procurement regulations was found to have taken place. The breach was fully investigated and reported to the Executive, the Chairman of Audit Committee and External Audit. The S.151 Officer and the Chief Internal Auditor are both satisfied that it was an isolated incident and a detailed action plan was agreed which included training for staff and minor changes to the financial regulations. It is pleasing to note that all recommendations have now been implemented and no further action is required in relation to internal control. However, a piece of work is currently being completed by Internal Audit to fully document all procurement processes as mentioned in the annual audit opinion report.
- 10.4 A large piece of work was completed by Internal Audit in December 2022 in respect of the controls, processes and procedures at the Marine Hall following a number of reported weaknesses to the S.151 Officer. Following a number of workshops, an action plan was agreed and work has already started to ensure that priority 1 (immediate) actions are addressed. Regular follow-ups will be completed by Internal Audit.
- 10.5 When reviewing compliance to the CIPFA guidance during the AGS workshop, a number of minor issues have been identified which have been documented

in an action plan and will be monitored by Corporate Management Team and reported to the Audit Committee prior to sign off again in November each year.

- 10.6 Other than the breach of procurement regulations referenced above, there were no other significant governance issues raised in the 2021/22 AGS that were required to be followed-up this year and the minor issues identified at that time have been monitored throughout the year and were last reported to the Audit Committee in November 2022. These issues have either been implemented or have been carried forward to the 2022/23 action plan.

11.0 COST OF LIVING CRISIS

- 11.1 Following the Covid-19 pandemic and the transition into recovery, the cost of living crisis has presented a new challenge to the financial resilience of the council and its stakeholders. Numerous central government support schemes have been launched and the council has been pivotal in their delivery.
- 11.2 Energy costs in particular have caused pressures for the YMCA and extensive work has been completed by the Procurement Officer to mitigate their ongoing impact. Other inflationary pressures are being felt and reserves have been utilised to cushion the council from their impact.
- 11.3 The economic crisis initiated during the 'Truss' Government did yield an opportunity for the council to go 'debt free' at a discount, saving the council £1.9m in interest charges over the two loan periods and £70,864 on the principle repayment (£1,481,136).

12.0 FINANCIAL MANGEMENT CODE

- 12.1 Strong financial management is an essential part of ensuring public sector finances are sustainable, and CIPFA launched a Financial Management Code to support this. A key goal of the code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The code incorporates existing requirements on local government, to give a comprehensive picture of financial management in the council. Councils were required to be compliant with the code from the 2021/2022 financial year and 2022/23 is the second year in which compliance has to be demonstrated.
- 12.2 The council's Section 151 Officer carried out a review of the Financial Management Standards in 2021 and was confident that the council could demonstrate compliance against each, however recognising that improvements could be made, in particular around long-term financial planning. Currently, a long-term capital programme is published as part of the Capital Strategy but the equivalent is not published for the revenue forecast. Whilst many councils have reduced their Medium Term Financial Plan (MTFP) period to one or two years owing to the uncertainty of government funding, Wyre's MTFP period has been increased to a five year plan (current year plus four years). This was deemed prudent by the S.151 Officer despite the lack of a multi-year settlement and is intended as a bridge to when more clarity is delivered about the Fair Funding Review and other delayed reforms. The

MTFP acts as an 'early warning system' for the council's finances and is strengthened by maintaining a true medium-term approach.

- 12.3 Whilst longer term forecasting is fraught with uncertainty, there are approaches the council can take to undertaking more horizon scanning around the impact of factors such as increasing demand, aging population, climate change and hybrid working to name a few. An exercise will be undertaken to commence capturing these longer-term drivers of costs and income with the Senior Leadership Team in order to strengthen the long-term financial planning at the council and improve compliance with the new Code. Without multi-year settlements though, any forecasting will prove difficult to produce with any accuracy and this remains the position for all local authorities.

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

- 13.1 As reported in the Annual Internal Audit report for 2022/23 it is again pleasing to report that governance processes and the overall framework across the organisation have been well supported and have continued to operate effectively.

14.0 CERTIFICATION

As the Leader of the Council, I am aware of the governance issues within this Authority and of the measures that are needed to improve the control environment. Overall, my assessment of the control environment as at 31 March 2023 is satisfactory.

COUNCILLOR M VINCENT
LEADER OF THE COUNCIL

As the Chief Executive, I am aware of the governance issues within this Authority and of the measures that are needed to improve the control environment. Overall, my assessment of the control environment as at 31 March 2023 is satisfactory.

R HUDDLESTON
CHIEF EXECUTIVE

ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2022/23

Details to follow



Setting the Scene

The Accounts must...

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

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Setting the Scene

The Accounts must...

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



Setting the Scene

Members in their role as governors ...

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

• page 160



wyre
council

What must the Statement include?

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



What must the Statement include?

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





The Narrative Report

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The Narrative Report

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





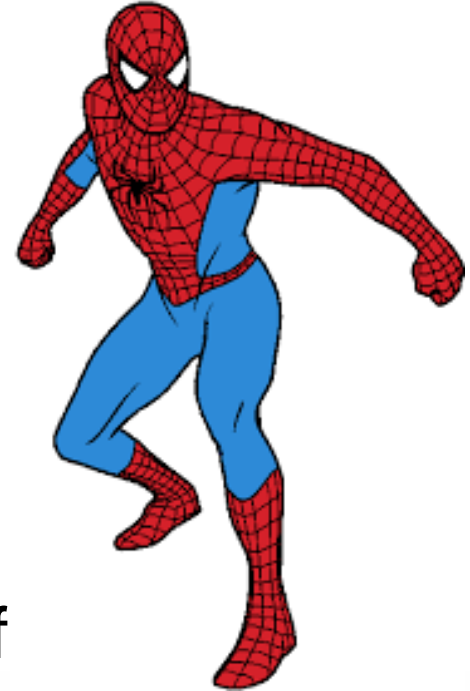
Statement of Responsibilities



Statement of Responsibilities

The Authority is required:

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



Statement of Responsibilities

The Chief Financial Officer is required:

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

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Statement of Responsibilities

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

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

Statement of Responsibilities

Accounts to be signed and dated by:

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

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Independent Auditor's Reports

Independent Auditor's Report

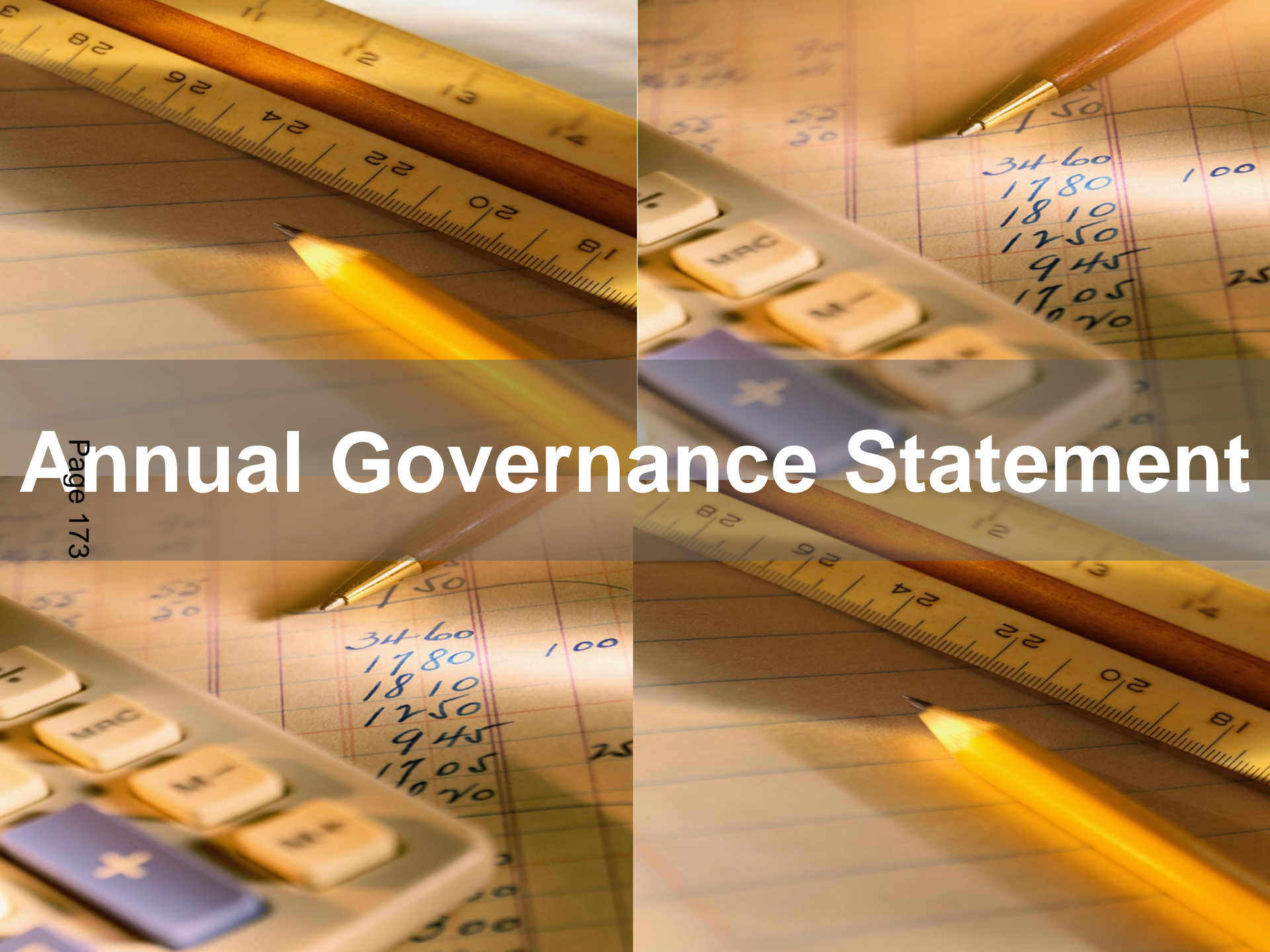
- Prepared in accordance with:
 - Local Audit and Accountability Act 2014
 - National Audit Office's Code of Audit Practice
- Evidence that the accounting statements:
 - Give a true and fair view of the financial position
 - Have been prepared properly in accordance with the Code of Practice on Local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



Page
15

Value for Money (VFM) Commentary

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



Annual Governance Statement

Annual Governance Statement

- Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to carry out an annual review of the effectiveness of the system of internal control and prepare an AGS
- Page 174 The AGS should be approved in advance by Audit Committee and published alongside the Statement of Accounts
- Acknowledgement of our responsibility/purpose

Annual Governance Statement

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

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement (I&E)

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

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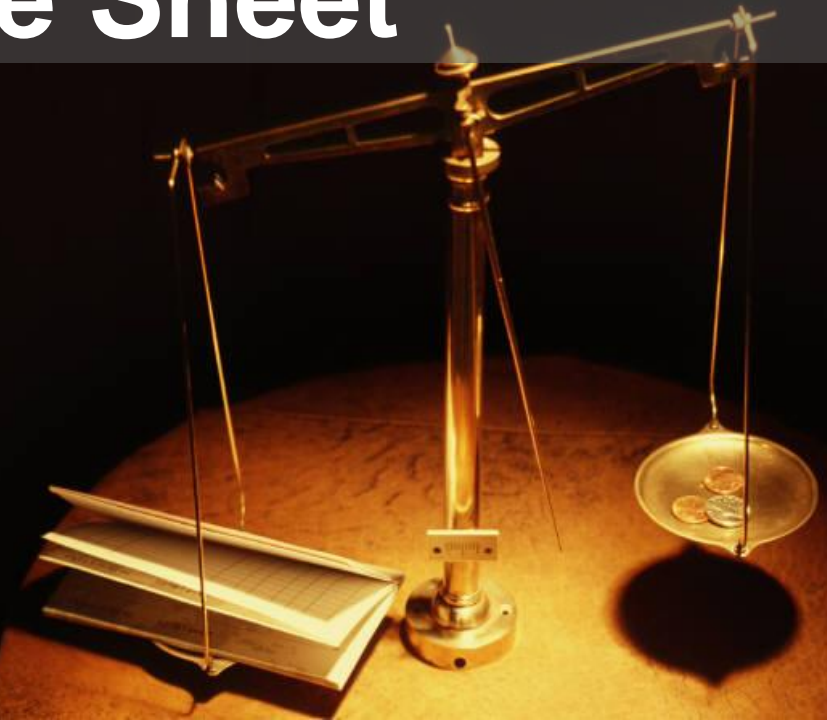
Movement in Reserves Statement

Movement in Reserves Statement (MIRS)

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



Balance Sheet



Balance Sheet

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

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Balance Sheet

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

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Cash Flow Statement



Cash Flow Statement

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

Notes to the Financial Statements

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Notes to the Financial Statements

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

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

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EFA and Statement of Accounting Policies

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

Accounting Policies - i.e. “the specific principles, bases, conventions, rules and practices applied...”

• ^{Page 8} Accruals of Income and Expenditure – activity is accounted for in the year it takes place not based on when cash is received or paid

• Cash and Cash Equivalents – includes investments maturing no more than 3 months from date of acquisition

• Prior Period Adjustments, Changes and Errors – some applied prospectively and others retrospectively

Statement of Accounting Policies

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

Statement of Accounting Policies

- Employee Benefits – such as accrued holiday entitlements, termination benefits and post-employment benefits including accounting arrangements for the LGPS
- Events after the Reporting Period – but prior to 30 June requiring adjustment or disclosure
- Financial Liabilities – short term loans are valued in the balance sheet using outstanding principal plus accrued interest

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Statement of Accounting Policies

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

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Statement of Accounting Policies

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

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Statement of Accounting Policies

- Leases – No finance or operating leases exist
- Overheads and Support Services – cost charged to those that benefit in proportion to the benefit received
- Page 192 Property, Plant & Equipment – Measurement/basis of valuation e.g. infrastructure and community assets at depreciated historical cost and with most of the other assets at current value (existing use value – EUV) or depreciated replacement cost. Surplus assets are held at fair value.

Statement of Accounting Policies

- Impairment – assets are reviewed for evidence of impairment loss at each year end
- Depreciation – all assets, other than investment properties, land, heritage and certain community assets, with a determinable finite life, depreciated over up to 80 years.
- Disposals – income shown in I&E statement along with gain or loss on disposal.
- Non-current assets held for sale – an asset is reclassified when it is likely to be sold and then carried at the lower of this amount and fair value less costs to sell

Statement of Accounting Policies

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

Earmarked Reserves

Wyre Council - Revised Estimate 2022/23

	Balance 31.03.23 £'000
Earmarked Reserves	
Building Control	57
Capital Investment	1,514
Elections	124
Homelessness	394
Insurance	150
IT	843
Leisure Management	411
Council Tax Equalisation	2,275
Non-Domestic Rates Equalisation	8,685
Property Investment Fund	0
Value For Money	764
Vehicle Replacement/St Clsng	1,154
Enterprise Zone Growth - Ring-fenced	855
TOTAL	<u>17,226</u>

Statement of Accounting Policies

- Revenue expenditure funded from capital under statute (REFCUS) – capital expenditure where no asset is created e.g. improvement grants, reflected in the Income & Expenditure Statement with associated grant.
- VAT – VAT paid is recoverable, VAT charged is paid over to HMRC.
- Fair Value Measurement of non-financial assets – e.g. surplus assets and investment properties. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement/reporting date.

Notes to the Financial Statements

- Accounting Standards published prior to 01.01.23 but not adopted – must disclose the impact of an accounting change that will be required.
- Critical judgements in applying accounting policies – e.g. a decision has been made which influences the accounting treatment
- Assumptions about the future and major sources of uncertainty – e.g. estimation of the net liability to pay pensions and the impact of a 0.1% increase in the discount rate assumption applied
- Events after the Reporting Period – events after date authorised for issue (31.05.23 re 2022/23) are not reflected

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Notes to the Financial Statements

- Expenditure and Income analysed by nature – breaks down costs by broad categories such as employee benefits, interest, capital charges etc.
- Adjustments between accounting basis and funding basis under regulations – proper accounting practice v statutory provisions
- Transfers to or from earmarked reserves
- Other operating expenditure – includes parish precepts, pension administration costs and gains/losses on disposal of non-current assets (excl. investment assets)

Notes to the Financial Statements

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

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Notes to the Financial Statements

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

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Notes to the Financial Statements

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

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Notes to the Financial Statements

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

Notes to the Financial Statements

- Provisions – Business Rate Appeals are determined by the VO and often backdated
- Usable Reserves – includes General Fund Balances, Earmarked Reserves, Capital Receipts and Capital Grants Unapplied.

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Unusable Reserves – includes explanations of and movements on Revaluation Reserve, Capital Adjustment A/c, Pensions Reserve, Collection Fund Adjustment A/c and Accumulated Absences A/c

Notes to the Financial Statements

- Cash Flow Statement Operating Activities – includes interest received/paid and adjustments to surplus/deficit for non cash movements and investing/financing activities
- Cash Flow Statement Investing Activities – includes additions to asset register, purchase of short term investments, disposal of assets and capital grants/contributions received
- Cash Flow Statement Financing Activities – includes repayments of short and long term borrowing and movement in debtors for Council tax and NDR

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Notes to the Financial Statements

- Agency Services – income and expenditure associated with the Lancashire Highway Street Services Agreement is excluded from the CI&E Statement as is Covid-19 and Cost of Living grants where the council acts as agent.
- Members' Allowances – must disclose total allowances/expenses paid in the year
- Officers' Remuneration - for those earning > £50,000 and senior employees (reflecting number of employees and amounts paid)
- External Audit Costs – for auditing the accounts, grant claims and other services.

Notes to the Financial Statements

- Grant Income and Other Contributions– non-ringfenced revenue monies (e.g. RSG, New Homes Bonus & S31 grant), capital grants and contributions (some of which are shown as received in advance and s106 contributions)
- Related Parties – bodies or individuals who are able to control/influence or be controlled/influenced
- Capital Expenditure and Financing – types of expenditure e.g. PPE, investment, intangible assets and REFCUS and how it is financed

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Notes to the Financial Statements

- Leases – The council does not have any finance or operating leases
- Termination Benefits – number and value of compulsory redundancies or other departures agreed
- Pension Schemes (defined benefit) – benefits not paid until employees retire but accounts must recognise them as they are earned
- Contingent Assets - possible asset whose existence is uncertain and outside the control of the council e.g. water leak credit note
- Contingent Liabilities – possible obligation although existence and amount cannot be confirmed e.g. legal claims and NNDR appeals

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Notes to the Financial Statements

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

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Collection Fund Account



Collection Fund Account

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

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

Notes to the Collection Fund

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

Glossary of Accounting Terms...

Draft Statement of Accounts 2022/23 – Where can I find...?

Statement of accounts – Wyre Council

		Where?
	1. ...non-financial Performance Indicators?	P19 – Life in Wyre Survey and Business Plan Performance key results
Page 212	2. ...what Heritage Assets are owned by the council (i.e. with historic, artistic, scientific, technological, geophysical or environmental qualities held for their contribution to knowledge of culture) and how much are they worth?	P40 Statues and Civic Regalia P59 NOTE 14 £330,950
	3. ...the value over which an asset disposal is treated as a capital receipt?	P41 £10,000
	4. ...rental income from investment properties e.g. golf clubs, the tip, ground leases, cafes, etc.?	P60 NOTE 15 £536,441
	5. ...the value of our earmarked reserves and balances?	P65 NOTE 23 General Fund (Balances) £14,516,890 Earmarked Reserves £18,877,294
	6. ...the value of Employee Leave not yet taken to which staff are entitled?	P66/68 NOTE 24 £124,745

Draft Statement of Accounts 2022/23 – Where can I find...?

		Where?
	7. ...how much were Members paid in allowances?	P71 NOTE 29 £329,498
	8. ...the Chief Executive's salary (incl. fees and allowances)?	P72 NOTE 30 £112,610
Page 213	9. ...how much Housing Benefit Grant we received?	P73 NOTE 32 £20,057,464
	10. ...our spending on Disabled Facilities Grants?	P73 NOTE 32 £2,182,050
	11. ...the number of staff made compulsory redundant?	P76 NOTE 36 = 1
	12. ...the pension contributions paid by the council for its employees?	P78 NOTE 37 £210,000
	13. ...council tax income due to be collected for the year (all preceptors)?	P86 £81,368.875
	14. And how much was due to Wyre?	P86 £9,025,249 less P56 NOTE 10 Parish Precept £864,171 = £8,161,078

2022/23 Updates

No major changes to the Code in 2022/23 owing to the long shadow of COVID-19 – changes delayed until 2023/24 or beyond.

Page 214
2020/21 and 2021/22 audit position

Any questions...

understanding local authority financial statements

2016

\ introduction

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

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

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

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

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

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

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

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

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

comparisons with budgets

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

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

The introduction of the new expenditure and funding analysis

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

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

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

The Expenditure and Funding Analysis:

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

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

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

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

Expenditure and Funding Analysis (extract)

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

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

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

comprehensive income and expenditure statement

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

Comprehensive Income and Expenditure Statement (extract)

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

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

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

Operational costs of providing the services of the authority.

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

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

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

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

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

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

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

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

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

movement in reserves statement

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

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

The Movement in Reserves Statement shows how:

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

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

Movement in Reserves Statement (extract)

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

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

* Capital Fund Scotland

** Applicable in England Only

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

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

balance sheet

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

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

Balance sheet (extract)

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

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

\ reserves

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

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

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

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

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

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

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

cash flows

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

Cash Flow Statement (extract)

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

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

¹ Note the format of the cash flow statement shown is produced under the indirect method.

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

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

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

Checklist

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

reminders and questions raised on the IFRS-based code

IFRS – what is it?

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

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

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

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

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

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

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

The accounts are too long!

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

What changes were made to the 2016/17 Code?

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

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

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

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

further reading

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

Clear out the Clutter (Public Finance, April 2014)

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

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

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



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A guide to local authority accounts

March 2014



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Introduction

This guide is designed to help members of audit committees discharge their responsibilities for the financial statements. It aims to help them understand and challenge the accounts, supporting notes and other statements.

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. They also play a key role in ensuring accountability and value for money are demonstrated to the public.

However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government. IFRS provides a comprehensive framework (over 3,000 pages of mandatory requirements) for the production of financial statements in the public and private sector. This framework is continually being refined.

We have prepared this guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

“It sounds extraordinary, but it’s a fact that balance sheets can make fascinating reading.”

Mary Archer
British scientist



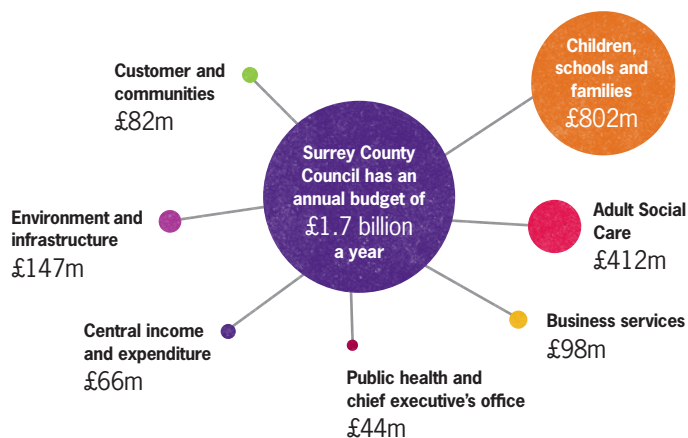
Explanatory foreword

The purpose of the explanatory foreword is to provide a commentary on the financial statements. It should include an explanation of key events and their effect on the financial statements.

The information included in the explanatory foreword should not be a surprise and should be familiar to you from the budget reports provided during the year. The explanatory foreword should therefore ideally also reconcile the year end financial position reported to members (the outturn) to the statutory financial accounts.

However, in a recent survey on governance, conducted by Grant Thornton, 40% of respondents did not agree that the explanatory foreword aids public understanding of local government accounts. Too often, explanatory forewords repeat key elements of the accounts and run the risk of being overly long, rather than provide a clear commentary in plain English. This indicates there is still some way to go before the explanatory foreword achieves its purpose.

Key financial information should be clearly explained and authorities should consider the best way to present it. Below is an example of the presentation of financial information that we consider to be helpful.



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Challenge questions

- 1 Does the explanatory foreword provide a clear summary of the authority's financial performance and financial position at the year end?
- 2 Is the summary in line with your expectations? Is the financial performance in line with budget reports? Are the key events described in the explanatory foreword those you expected to see?
- 3 Can you trace the figures to the financial statements? Are they consistent?
- 4 If last year's figures have been restated, is the reason clearly explained?
- 5 Is there a better way that this information could be presented or communicated?

For more information, see **Grant Thornton's Local Government Governance Review 2014**



Annual governance statement

The annual governance statement (AGS) sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The AGS should give the reader a clear sense of the risks facing the authority and the controls in place to manage them.

While the AGS is prepared by the authority at the end of the year, it should be built up from processes designed, run and tested throughout the year. There should be no surprises for members of the audit committee as all of the issues described should already have been discussed. However, surprises can occur if the first sight of the document is not until June. We recommend making the AGS an iterative document which is presented in draft to audit committee members towards the end of the calendar year.

The AGS should be consistent with:

- the rest of the financial statements
- internal audit findings
- the results of any external inspections of the authority during the year.

Challenge questions

- 1 Is the content of the AGS consistent with your knowledge of the operations of the authority over the year?
- 2 Does the AGS succinctly describe the control environment in an understandable way?
- 3 In particular, does the AGS include:
 - all significant risks that you were aware of during the year?
 - the actions the authority is taking to address the identified risks?

Only 65% of respondents to our survey agreed that the AGS helps the public to understand how the organisation manages risk.



Movement in reserves statement

Reserves represent the authority's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.



Usable reserves

- Result from the authority's activities
- Can be spent in the future
- Include:
 - general fund
 - earmarked reserves
 - capital receipts reserve

The level of usable reserves, the spending plans of the authority and other sources of funding will determine how much council tax needs to be raised.

The movement in reserves statement (MIRS) analyses the changes in each of the authority's reserves from year to year. It should be clear to see what has caused the movement in each reserve. The statement shows:

- **opening balances** – these should be the same as the previous year's closing balances
- **total income or expenditure for the year** – this should agree with the comprehensive income and expenditure account
- **statutory transfers between reserves** – these are made as the result of regulation
- **voluntary transfers between reserves** – these are made as the result of the authority's decisions
- **closing balances** – these should agree to those on the balance sheet.

Transfers between reserves should not result in a change in the overall level of reserves.

Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include:
 - pensions reserve
 - revaluation reserve
 - capital adjustment account

Statutory transfers are adjustments that are made to usable reserves to:

- remove transactions that are required by accounting standards
- add transactions required by statute.

For example, accounting standards require depreciation to be charged to the general fund to represent the cost of assets used in the delivery of services. Statute requires that all capital transactions are removed from the general fund. Depreciation is therefore taken out of the general fund and replaced with the minimum revenue provision (MRP). The MRP represents the authority's estimate of how much it should contribute to capital expenditure each year and is approved by members at the start of every year.

Voluntary transfers include the earmarking of reserves. Members may choose to earmark reserves, putting aside cash to deliver specific longer-term objectives, such as the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out.

Challenge questions

- 1 Are the movements in the two types of reserves shown in separate tables?
- 2 Do the opening balances agree with last year? Have any restatements been clearly explained?
- 3 Do the figures in the MIRS agree to the comprehensive income and expenditure statement?
- 4 Can you trace the figures in the MIRS to the relevant notes? Do the notes adequately explain the major movements?
- 5 Are the purposes of the material earmarked reserves consistent with the authority's objectives and the authority's decisions?

For more information, see **Grant Thornton's Approving the MRP Policy**



Comprehensive income and expenditure statement

The comprehensive income and expenditure statement (CIES) reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit.

The CIES is sometimes described as a 'film' of all the transactions in the year. It includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

The CIES shows the accounting position of the authority before statutory overrides are applied. It analyses income and expenditure based on services. This means that it does not have the same headings you see in commercial financial statements.

The standard format of the CIES means that it will differ from the layout in your budget book, which will be based on your authority's own activities and internal reporting needs. A note to the accounts should reconcile the figures reported internally to those included in the CIES.



Five broad sections within the CIES

Cost of services	Presented in a standardised format as set out by the 'Service reporting code of practice for local authorities'. Includes service specific income and expenditure. Any large and/or unusual items which may affect the reader's view of the accounts should be disclosed separately.
Other operating income and expenditure	Includes the surplus or deficit from the sale of property, plant and equipment.
Financing and investment income and expenditure	Includes interest payable and receivable.
Taxation and general grant income	Includes revenue from council tax and the revenue support grant.
Other comprehensive income and expenditure	Items which are not allowed to be accounted for elsewhere in the CIES, such as increases in the value of land and buildings and changes in the actuarial assessment of pension liabilities.

Challenge questions

- 1 Does the CIES reflect the financial performance of your authority as you know it?
- 2 Have there been significant changes year on year? If so, are these clearly explained?
- 3 Is there a detailed note to reconcile the CIES to budget reports? Is it easy to find? Can you trace the figures through?

Balance sheet

The balance sheet is a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31 March.

The balance sheet is always divided into two halves that should, as the name suggests, balance:

- assets less liabilities (the top half)
- reserves (the bottom half).

Non current assets including: <ul style="list-style-type: none">• property, plant and equipment• heritage assets• intangible assets• investment property	Non-current assets have a life of more than one year. For most authorities the biggest balance by far is property, plant and equipment. These are tangible assets that are used to deliver the authority’s objectives. With some exceptions they need to be shown at a value based on market prices. Changes in valuations are matched by changes in reserves (generally the revaluation reserve). The cost of property, plant and equipment is spread over the period in which it is used by charging depreciation.
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Current assets	Includes cash and other assets that, in the normal course of business, will be turned into cash within a year from the balance sheet date. Other assets include investments, non-current assets held for sale, inventories and debtors.
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Current liabilities	Comprises short-term borrowing, trade creditors, amounts owed to other government bodies and receipts in advance. Receipts in advance arise when the authority receives income this year for expenditure it will incur, or services it will provide, in future years.
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Long-term liabilities	Includes borrowings, any amounts owed for leases and private finance initiative (PFI) deals. There will also be an estimate for the cost of meeting the authority’s pension obligations earned by past and current members of the pension scheme.
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Provisions	Represent future liabilities of the authority, but there is uncertainty about how much the authority owes or when it will have to pay.
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Reserves	These are usable and unusable reserves.
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Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?
- 3 Are the changes in property, plant and equipment what you would expect, based on any major disposals of assets, the authority’s capital programme and movements in market prices?
- 4 Are movements in investments and borrowing consistent with the authority’s treasury plans and with the cash movements in the cash flow statement?
- 5 Are the reasons for provisions and details of how they have been calculated clearly shown?
- 6 Do the reserves in the balance sheet agree to the balances in the movement in reserves statement?

Other statements

A number of other statements will be included within the financial statements, though not all will be relevant to every authority.

Cash flow statement	<p>Sets out the authority's cash receipts and payments during the year, analysing them into operating, investing and financing activities.</p> <p>Cash flows are related to income and expenditure, but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, not when the cash was paid or received.</p> <p>The Local Authority Code of Practice allows two different methods of presentation to be used, and therefore formats may vary between neighbouring authorities.</p>
Collection fund	<p>Shows the transactions in respect of council tax and business rates during the year.</p>
Housing revenue account	<p>Shows the transactions in respect of council housing during the year. It is ring-fenced, so it cannot subsidise or be subsidised by other activities.</p>
Pension fund accounts	<p>Included within the financial statements of a pension fund administering authority, such as a county or unitary council. Shows the transactions and net assets/liabilities of the pension fund as a whole.</p>
Group accounts	<p>Prepared if the authority has a significant subsidiary, such as a local authority trading company. Shows the combined income and expenditure and balances of all the constituent bodies.</p>

Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?



Additional disclosures

The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and are rarely written in plain English.

However, additional disclosures include important information and provide the context for the figures in the primary financial statements.

Accounting policies Set out the accounting rules the authority has followed in compiling its financial statements, for example that land and buildings are shown at valuation rather than at cost. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice. Authorities have limited discretion to amend them, but should:

- provide additional information where needed
- remove accounting policies that are not relevant or apply to immaterial amounts.

Critical judgments Show the key areas where officers have made judgements about the application of accounting policies. For example:

- classification of leases and public finance initiative (PFI) schemes
- identification of provisions
- impairment of assets.

The aim is to highlight key areas of the accounts where others may have made different judgments about the accounting treatment.

Estimates The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.

Property, plant and equipment Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.

Leases and PFI schemes Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.

Employee remuneration Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.

Contingent liabilities Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them. The most common contingent liability is for legal claims.

Challenge questions

- 1 Have you already seen and been able to comment on the proposed accounting policies?
- 2 Are you comfortable with the critical judgements disclosed?
- 3 Do the figures reported in the financial statements agree to those included in the relevant notes?
- 4 Are the notes easy to find and follow?
- 5 Is too much information included? Could it be better presented?

And finally...

Once you have completed your review of the detail, you may wish to reflect upon the financial statements as a whole and what could be done to improve the process for future years.

About the financial statements

- 1 Are they clear, concise and easy to follow?
- 2 Are they presented in the best format? Could graphs or diagrams be used to help explain information more easily?
- 3 Is detailed information on the most important items easy to find?
- 4 Are technical terms explained in plain English? Is there a glossary?
- 5 Is it clear how a reader could find out more information?
- 6 Where are the accounts to be published? Are they easy to find?

About the process

- 1 Does your authority recognise that producing robust financial statements is important for strong financial governance?
- 2 Has your authority set targets to produce shorter, clearer, earlier financial statements?
- 3 What support can you give your officers to meet these challenges? Do they have sufficient resources? Are they given enough support from senior management?
- 4 What support do you need to help you discharge your responsibilities? Are there any areas in which you need training?

For more information, see **Grant Thornton's Declutter your accounts – top 10 tips**



CIPFA's Financial statements: a good practice guide for local authorities



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About us

Dynamic organisations know they need to apply both reason and instinct to decision making. At Grant Thornton, this is how we advise our clients every day. We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients.

Grant Thornton UK LLP is a leading business and financial adviser with client-facing offices in 25 locations nationwide. While we understand regional differences and can respond to needs of local authorities, our clients can also have confidence that our team of local government specialists is part of a firm led by more than 185 partners and employing over 4,200 professionals, providing personalised audit, tax and specialist advisory services to over 40,000 clients.

Grant Thornton has a well established market in the public sector, and has been working with local authorities for over 30 years. We are the largest employer of CIPFA members and students and our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

We are the leading firm in the local government audit market, and are the largest supplier of audit and related services to the Audit Commission, and count 40% of local authorities in England as external audit clients.

We also audit local authorities in Wales and Scotland via framework contracts with Audit Scotland and the Wales Audit Office. We have over 180 local government and related body audit clients in the UK and over 75 local authority advisory clients. This includes London boroughs, county

councils, district councils, city councils, unitary councils and metropolitan authorities, as well as fire and police authorities.

This depth of experience ensures that our solutions are grounded in reality and draw on best practice. Through proactive, client-focused relationships our teams deliver solutions in a distinctive and personal way, not pre-packaged products and services.

Our approach combines a deep knowledge of local government, supported by an understanding of wider public sector issues, drawn from working with associated delivery bodies, relevant central government departments and with private-sector organisations working in the sector.

We take an active role in influencing and interpreting policy developments affecting local government and responding to government consultation documents and their agencies. We regularly produce sector-related thought leadership reports, typically based on national studies, and client briefings on key issues. We also run seminars and events to share our thinking on local government and, more importantly, understand the challenges and issues facing our clients.

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