



Audit Committee Agenda

Wyre Borough Council
Date of Publication: 11 June 2018
Please ask for : Roy Saunders
Democratic Services and Scrutiny
Manager
Tel: 01253 887481

**Audit Committee meeting on Tuesday, 19 June 2018 at 6.00 pm
in the Council Chamber at the Civic Centre, Poulton-le-Fylde**

- 1. Election of Chairman**
- 2. Election of Vice Chairman**
- 3. Apologies for absence**
- 4. Declarations of interest**
- 5. Confirmation of minutes**

(Pages 1 - 4)

To approve as a correct record the Minutes of the last meeting of the Audit Committee held on 8 May 2018.

6. Training: Statement of Accounts 2017/18

The Head of Finance (Section 151 Officer) will make a presentation.

During the course of her presentation the Head of Finance will refer to a guidance document published by the Chartered Institute of Public Finance and Accountancy previously circulated to members of the Committee in June 2017, which can be viewed via the following link:

http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKEwjAzOjdzrLbAhWDVhQKHfddA4oQFgguMAA&url=http%3A%2F%2Fwww.cipfa.org%2F~%2Fmedia%2Ffiles%2Fpolicy%2520and%2520guidance%2Fboards%2Fcipfa%2520lasaac%2Funderstandi%2Fng_lafs_v6.pdf%3Fla%3Den&usg=AOvVaw2T04qG5aLs9-gbgimfzlel

7. Peer Review of Internal Audit: External Assessment

- | | |
|---|-----------------|
| (a) Report of Peer Review Team | (Pages 5 - 12) |
| (b) Letter from Peer Review Moderation Team | (Pages 13 - 14) |

8. Risk Management Policy: Annual Review (Pages 15 - 24)

Report of the Head of Finance (Section 151 Officer).

9. Annual Governance Statement 2017/18 (Pages 25 - 48)

Report of the Head of Finance (Section 151 Officer).

10. Periodic private discussion with External Auditor

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



Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 8 May 2018 at the Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillors Rita Amos, Tom Ingham, Lesley McKay, Paul Moon, Ann Turner, Lynn Walmsley and Val Wilson

Apologies:

Councillor(s) Emma Anderton, Tom I Balmain, Ron Greenhough and Graham Holden

Other councillors present:

Councillors

Officers present:

Roy Saunders, Democratic Services and Scrutiny Manager
Clare James, Head of Finance and Section 151 Officer
Joanne Billington, Head of Governance
Karen McLellan, Senior Auditor

No members of the public or press attended the meeting.

45 Declarations of interest

None.

46 Confirmation of minutes

Resolved that the minutes of the Audit Committee meeting held on 13 March 2018 be confirmed as a correct record.

47 Annual review of Internal Audit Charter

The Head of Finance (Section 151 Officer) submitted a report to enable the Council's Internal Audit Charter and Code of Ethics to be considered, in accordance with the requirements of the Accounts and Audit Regulations 2015 and, in compliance with national accounting standards and guidance.

The Head of Governance reminded Members that a report on the Charter had last been submitted to the Committee in September 2017. A recent peer review had considered the content of the Charter and had concluded that no changes were required.

Resolved that the Internal Audit Charter and Code of Ethics, attached as Appendices 1 and 2 of the report, be approved.

48

Internal Audit Annual Report 2017/18

The Head of Finance (Section 151 Officer) submitted a report providing information on internal audit work carried out during 2017/18, to enable the Committee to review progress in relation to internal audit and risk management activity as required by the Accounts and Audit Regulations 2015 and to consider the overall audit opinion.

The Head of Governance referred to her formal “opinion” as Chief Internal Auditor (set out in the concluding paragraph of Appendix 1) that, taking account of the areas listed in the report, the Council has in place satisfactory controls to be able to maintain an effective internal control environment. She also emphasised that, despite extensive progress made in readiness for the introduction of the General Data Protection Regulations (GDPR) there still remained a considerable amount of work to be completed before the implementation date of 25 May 2018. Reference to that position would be included in the Annual Governance Statement, to be reported to the Committee in June.

The Senior Auditor referred to the summaries of all the internal audits carried out in 2017/18. She drew attention, in particular, to the recent audit of the Marine Hall on which a draft report had just been issued. The overall outcome of the areas identified for improvement would normally have led to a “fair” categorisation but, because of her concerns about the reduction since the previous audit (which had been “good”) in the number of outstanding findings and effectiveness of the controls in place, a “weak” audit opinion had been issued. She stressed that only a draft report had so far been issued and that she and the Head of Finance would be meeting with the Service Director for Performance and Innovation and Commercial Manager on 11 May to identify deadlines for completion of required actions to improve controls and to monitor ongoing progress. The Chairman (Cllr McKay) said that she would write to the Leisure, Health and Community Engagement Portfolio Holder and the Leader of the Council expressing the Committee’s concern about the outcome of the audit of the Marine Hall. She would suggest that they request quarterly progress updates from the Service Director.

The Senior Auditor highlighted the “excellent” opinion on the audit of asset management, which represented a huge improvement in performance since the previous audit.

The Head of Governance said that a copy of the list of gifts and hospitality received in 2017/18, referred to in Appendix 1 of the report, would be submitted to the next meeting of the Committee.

The Senior Auditor also explained how the process for identifying and mitigating both strategic and operational risks, referred to in Appendices 2 and 3 of the report, had been carried out, highlighting the new risks that had been included in the register and those that had now been removed. In addition, she explained that a separate ICT risk register had now been compiled, which had been a requirement of the recent SOCITIM independent review of the ICT service.

Resolved that the Internal Audit Annual Report 2017/18, attached as Appendix 1, the Risk Management Progress Report attached as Appendix 2 and the Strategic Risk Management Review attached as Appendix 3 of the report of the Head of Finance (Section 151 Officer), be noted.

49 External Audit Annual Audit Fee 2018/19

The Head of Finance (Section 151 Officer) submitted a letter received from Deloitte LLP setting out its external audit fees for 2018/19. She said that the fees had been determined under a national procurement process and were lower than the fees for 2017/18. A representative of Deloitte's would be attending the July meeting.

Resolved that Deloitte's fee for the external audit of the Council's accounts for the year ending 31 March 2019 of £37,470 be noted.

50 Time and date of next meeting

Resolved that the next meeting of the Committee be held at 6pm on Tuesday 19 June 2018.

The meeting started at 6pm and finished at 7.02 pm.

Date of Publication: 16 May 2018.

This page is intentionally left blank

Wyre Council

PEER REVIEW OF INTERNAL AUDIT AGAINST THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS

10 May 2018

Review Team

Emma Thompson, Assurance Risk and Audit Manager, Allerdale Borough Council

Kate Gregory, Acting Audit Manager, Preston City Council

1 Introduction

- 1.1 All principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2015 (amended), the Accounts and Audit (Wales) regulations 2005, section 95 of the Local Government (Scotland) Act 1973 and the Amendment to the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note.
- 1.2 A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.3 The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 1.4 The Lancashire Districts Chief Auditor Group (LDCAG) has established a 'peer-review' process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by 'self-assessment with independent external validation' and this report presents the summary findings of the review carried out on behalf of Wyre Council.
- 1.5 "An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs." This review has been carried out by the Head of Internal Audit at Allerdale Borough Council and the Senior Auditor at Preston Council. Their 'pen pictures', outlining background experience and qualifications, are included at Appendix A.

2 Approach/Methodology

- 2.1 The LDCAG has agreed a detailed Memorandum of Understanding (MoU) that outlines the broad methodology for the conduct of this review. A copy of the MoU is available upon request. However, in summary, the key elements of the process are:
 - The peer review is undertaken in three stages: pre-review; on-site review; post-review and covers audit activity during the period covered in the latest Head of Internal Audit Annual Report and Opinion. For example, reviews commencing after 1 July 2016 will cover the audit year 1 April 2015 to 31 March 2016.
 - Wyre Council has completed and shared its self-evaluation of the Internal Audit service together with any relevant supporting evidence/documentation in advance of on-site review commencement.

The LDCAG has agreed that the self-assessment will use the **CIPFA Local Government Application Note (LGAN)** questionnaire. Typically, supporting evidence will include the Internal Audit Plan & Charter, the Head of Internal Audit Annual Report and Opinion, Quality Assurance and Improvement Programme and examples of final audit reports.

- To support the on-site review, a customer survey form was issued and completed by key personnel within Wyre Council.
- The review itself comprises a combination of 'desktop' and 'actual on-site' review.
- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team must use the 'desktop' period to determine strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely and adds real value. Wyre Council has been assessed against the four broad themes of: Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- Upon conclusion, the Review team offers a 'true and fair' judgement and it is proposed that each Authority will be appraised as **Conforms**, **Partially Conforms** or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the four themed scores gives an overall Authority score.

3 Summary Findings

3.1 Following a detailed examination process, the review team has concluded the following judgements:

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Impact	Conforms
Overall Judgement Conforms	

Assessment against the individual elements of each area of focus is included in the table at Appendix B.

3.2 The peer review at Wyre Council was a very positive experience; all interviewees hold Internal Audit in high regard and see the service as an

integral part of the organisations governance framework. The majority of the feedback received from the Chief Officers and Managers during interview made clear reference to the added value the Internal Audit Team bring to the organisations governance and systems of internal control, the terms used most often were 'critical friend' and 'professional and thorough service'. The Wyre Council Head of Governance is currently supporting Lancaster City Council in the Internal Audit and Assurance Manager role one day per week, this started in May 2017. Feedback provided on this arrangement highlighted this as a positive developmental opportunity for the Head of Governance.

- 3.2.1 The team are highly respected, experienced and competent, they are regularly called upon to provide advice and to support major organisational projects. The team is clearly seen to be a valued asset at Wyre Council, the Chief Executive openly supports and promotes their work and he along with Senior Managers regularly attend Internal Audit scoping and exit meetings. The PSIAS state that 'internal audit activity must be independent and internal auditors must be objective in performing their work'. The Head of Governance also has management responsibilities for Insurance and Business Continuity, Electoral and Civic Services and Democratic Services. An internal review of Electoral Services was completed this year, however it was clarified during interview that the Chief Executive holds final managerial responsibility for Elections. Wyre Council have a long standing arrangement in place with Lancashire County Council for the delivery of Independent audit reviews. These reviews are primarily Financial however they will also review corporate areas upon request to ensure independence is maintained.

3.3 **Significant Observations** (leading to a 'does not conform' judgement)

There are no significant observations.

- 3.4 **Minor Observations** (i.e areas for improvement/development, minor elements of non-conformance and gaps in 'good practice' statement) Actions are included at Appendix C.

- 3.4.1 To further demonstrate the value added to the organisation and compliance with PSIAS the Internal Audit Team should consider the value of ongoing monitoring of service performance. This would provide management with relevant information to allow them to review and measure Internal Audit service delivery.
- 3.4.2 It would be beneficial to raise awareness of Risk Management throughout the third tier management at Wyre Council. Excellent feedback was provided by the Senior Management Team who regularly engage in risk management workshops and risk discussions facilitated by Internal Audit. Engaging with this third tier management group would further embed Risk Management into the organisation and allow further Internal Audit insight into operational risks and issues. It would be beneficial for Internal Audit throughout their engagement to regularly clarify their role in risk management to ensure any confusion around Internal Audits role is removed.

3.4.3 The Internal Audit team have a process in place to follow up agreed actions following an audit review. To provide a whole organisation overview of the progress of all agreed actions and their implementation the service would benefit from introducing an agreed action register to manage and monitor the follow up process. This would also improve management ownership and accountability for these actions and allow oversight for actions outstanding. A solution using Sharepoint maybe an ideal 'quick win' option.

Review Team

Emma Thompson

I am the Assurance Risk and Audit Manager at Allerdale Borough Council and have worked in Audit for 11 years. I obtained my PIIA with the Chartered Institute of Internal Auditors (CIIA) in 2010 and went on to win the national CIIA Internal Audit Champion award in 2015. I became 'Certified' with IIA Global in 2016.

Kate Gregory

I am the Acting Auditor Manager at Preston City Council and have worked in Audit for 15 years. I obtained my PIIA with the Chartered Institute of Internal Auditors (CIIA) in 2007.

Detailed Assessment

		Does not conform	Partially conforms	conforms	Comments
	Purpose & positioning				
•	• Remit			X	
•	• Reporting lines			X	
•	• Independence			X	
•	• Other assurance providers			X	
•	• Risk based plan			X	See 3.4.2
	Structure & resources				
•	• Competencies			X	
•	• Technical training & development			X	
•	• Resourcing			X	
•	• Performance management			X	See 3.4.1
•	• Knowledge management			X	
	Audit execution				
•	• Management of the IA function			X	
•	• Engagement planning			X	
•	• Engagement delivery			X	
•	• Reporting			X	
		Do not agree	Partially agree	Fully agree	Comments
	Impact				
•	• Standing and reputation of internal audit			X	3.4.3
•	• Impact on organisational delivery			X	3.4.1
•	• Impact on Governance, Risk, and Control			X	3.4.2

Conforms	X	Partially Conforms		Does Not Conform	
----------	---	--------------------	--	------------------	--

Wyre Council Internal Audit Service – PSIAS Action Table

Appendix C

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
1311 Internal Assessments	3.4.1	The Head of Governance along with management should consider the value of introducing internal performance measures to monitor the ongoing performance of the Internal Audit service.		
2120 Risk Management	3.4.2	It would be beneficial to raise awareness of Risk Management throughout the third tier management at Wyre Council. It would be beneficial for Internal Audit throughout their engagement to regularly clarify their role in risk management to ensure any confusion around Internal Audits role is removed.		
N/A Identified by Interviews	3.4.3	To provide a whole organisation overview of the progress of all agreed actions and their implementation the service would benefit from introducing an agreed action register to manage and monitor the follow up process. This would also improve management ownership and accountability for these actions and allow oversight for actions outstanding. A solution using Sharepoint maybe an ideal 'quick win' option.		



AUDIT & INVESTIGATIONS

Town Hall

Broadway Offices

Accrington

BB5 1EZ

Email: mark.beard@hyndburnbc.gov.uk

Jo Billington,
Head of Governance,
Wyre Borough Council.

Your ref:
Our ref: PeerRev/Mod
Ask for: Mr Mark Beard
Direct Line: 01254 380634
Date: 25th March 2018

Dear Jo,

Lancashire District Councils Chief Auditors Group - Outcome of Peer Review

A meeting of the Peer Review Moderation Team was held on Thursday 24th May 2018 to consider recently completed reviews. The team comprised the following members of the Chief Auditors Group:

Mark Beard	Hyndburn BC
Ian Evenett	Burnley BC
Dawn Highton	South Ribble & Chorley BC

I am writing to inform you that the Moderation Team concluded that the review of, and resulting report into, Wyre Council's conformance with the PSIAS was fair and consistent with the expected standards established for the peer review process.

The Moderation Team has not made any recommendations regarding the outcome of your review or the Review Team's resulting report.

Yours Sincerely

Mark Beard
Head of Audit & Investigations



This page is intentionally left blank



Report of:	Meeting	Date	Item no.
Head of Finance (s151 Officer)	Audit Committee	19 June 2018	8

ANNUAL REVIEW OF THE COUNCIL'S RISK MANAGEMENT POLICY

1. Purpose of report

- 1.1 To review the council's Risk Management Policy

2. Outcomes

- 2.1 Evidence that the council manages its significant business risks and recognises that effective risk management is integral to the council's corporate governance arrangements.

3. Recommendations

- 3.1 Members are asked to approve the Risk Management Policy attached at Appendix 1.

4. Background

- 4.1 The Risk Management Policy is a key document, which identifies the council's approach to risk management, and demonstrates how it is embedded across the council. The adoption of this policy will help the Council to demonstrate its commitment to a policy of managing risk wherever it may arise.
- 4.2 In accordance with their terms of reference the Audit Committee will review the risk profile of the organisation and consider the effectiveness of the council's risk management arrangements. This involves monitoring the risk progress of embedding risk management, reviewing the Council's risk registers and ensuring that actions are being taken where necessary to mitigate such risks.
- 4.3 The Audit Committee are also required to review the Risk Management

Policy on an annual basis with the last review being completed in March 2017.

5. Key Issues and proposals

- 5.1** The Risk Management Policy is at Appendix 1. There have been no significant changes since its last review in March 2017. The only changes have been to correct minor changes to the format and to reflect the current management structure.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Effective 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
data protection	x

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	7 June 2018

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

List of appendices

Appendix 1 – Risk Management Policy



Risk Management Policy

June 2018

1.0 Introduction

- 1.1** Risk is part of all our lives. As an organisation, we need to take risks to grow and develop. Risk Management involves understanding, analysing and addressing risks to make sure the organisation achieves its objectives. Successful risk management can make a council more flexible and responsive to new pressures and external demands. It allows an organisation to deliver services better services and to meet the needs and expectations of its community in what is a fast changing and dynamic environment.
- 1.2** The aim of the Risk Management Policy is to establish and operate an effective system not only to minimise risk but also to enable continuous improvement at every level of the organisation. The adoption of this policy will help the Council to demonstrate its commitment to a policy of managing risk wherever it may.
- 1.3** The Council is committed to developing a robust approach to risk management and will take reasonable steps to ensure that it;
- ◆ Provides services of the highest quality and standards possible;
 - ◆ Provides a safe environment and facilities for staff and visitors;
 - ◆ Provides reasonable and safe working arrangements for staff e.g. hours and workloads;
 - ◆ Provides staff with adequate training and equipment to perform their duties;
 - ◆ Encourages and enables staff to improve their performance both individually and collectively; and
 - ◆ Is not financially or operationally compromised or disrupted.
- 1.4** In making this commitment the Council aims to;

- ◆ Identify activities that may cause loss, or cause the council to fail to deliver its objectives;
 - ◆ Measure the impact of potential loss on the council, its property, staff and customers;
-
- ◆ Take reasonable steps to avoid, reduce and/or control the impact of potential loss;
 - ◆ Make efforts to share or transfer risk wherever possible;
 - ◆ Foster a culture of risk awareness that is reflected in all aspects of its work;
 - ◆ Develop a culture that encourages open reporting and learning from adverse events; and
 - ◆ Demonstrate continuous improvement, spreading learning across the council and meeting the changing needs of the community.
- 1.5** The policy applies to the council's elected Members and its Committees, the Corporate Management Team, staff and all working groups and partnerships. The responsibilities of these groups and the individuals within them, for the implementation of a control assurance programme and the effective management of risk is detailed below.
- 2.0 Risk Evaluation**
- 2.1** The council uses Zurich Municipal's STORM methodology (Strategic and Tactical Organisational Risk Management); a structured, systematic methodology that identifies, evaluates, prioritises and manages opportunities and risk at strategic and operational levels.
- 2.2** The council's risk registers are held within spreadsheets and are accessible via the council's Intranet. The registers document the key risks and who is responsible for them. They also record the action plans created to help mitigate these risks.
- 2.3** Risk assessment is a formal requirement in the council's decision-making process. Prior to the submission of any committee report the report author must identify any risks associated with putting into place the recommendations or the risks associated with not doing so. Reports are considered by the Corporate Management Team and the cascade of information via team briefings ensures that the Head of Governance is aware of all decisions and can ensure that any associated risks are captured on risk registers.

- 2.4** The risk evaluation method details the level of risk that the council considers acceptable based on likelihood and impact, and ascribes management action to reduce significant risks.

3.0 Responsibilities

Members

- 3.1** Members are ultimately responsible for risk management because risks threaten the achievement of policy objectives. Failure to deliver services efficiently and high-level incidents and scandals often result in the public questioning the competency of those in charge. It often transpires that such failures and scandals could have been avoided if proper governance procedures had been operating effectively. Members must understand the strategic risks that the council faces and decide how these risks should be managed. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.
- 3.2** Members must ensure that risk awareness and management are part of the culture of the Authority and as a minimum;
- ◆ Exercise leadership and take a “top down” approach;
 - ◆ Support and monitor the Risk Management process;
 - ◆ Request assurance as to the quality of data that supports the decision making process; and
 - ◆ Form an opinion as to the adequacy of the risk assessment that has been performed.
- 3.3** The Accounts and Audit Regulations 2015 require the publication of an Annual Governance Statement with the council’s financial statements. This includes a review of the effectiveness of internal controls and documents the Council’s approach to risk management. This statement of assurance is a broad reflection of the whole governance of the Authority, identifying the measures that are needed to improve the control environment and is signed by the Leader of the Council and the Chief Executive.

Senior Officers

- 3.4** The Chief Executive acts as the figurehead for implementing the risk management process by making a clear, public and personal commitment to making it work and by signing the Annual Governance Statement.
- 3.5** Implementation of the risk management process has been delegated to the Head of Governance who works closely with the Senior Auditor and the Corporate Management Team to ensure risk action plans are

implemented. Should the Head of Governance feel action is inadequate, then this would be reported to the Audit Committee for resolution.

- 3.6** The council's Corporate Management Team meets annually to review the council's strategic risks as identified on the council's strategic risk register, and identify any new risks that may prevent the council from achieving its long-term corporate objectives.
- 3.7** Service Directors and Heads of Service have responsibility for risk management within their own area of operations. They are best placed to understand the risks that are specific to their officers' day-to-day duties.
- 3.8** Service Directors and Heads of Service will;
- ◆ Fulfil their statutory and organisational obligations for the management of risk within the workplace;
 - ◆ Ensure that regular risk assessments are undertaken within their teams as directed by the Head of Governance;
 - ◆ Foster a culture of risk awareness in their teams;
 - ◆ Ensure that staff have access to the relevant policies, procedures and guidelines to facilitate safe practice and to minimise risk; and
 - ◆ Identify staff risk management awareness and other training for professional and personal development.

Employees

- 3.9** The council's employees have a duty to: -
- ◆ Consider the risks involved in what they do;
 - ◆ Be risk aware and observant, and bring potential risks to the attention of their line managers or to the Head of Governance, or report them through the council's formal accident/incident reporting mechanism;
 - ◆ Help to devise and implement processes to minimise risks to an agreed and acceptable level; and
 - ◆ Update risk action plans via the council's risk register spreadsheets.

Head of Governance

- 3.10** The council's Head of Governance has a duty to: -
- ◆ Develop the Risk Management Policy and keep it up to date;
 - ◆ Co-ordinate risk management and internal control activities;
 - ◆ Compile risk information and prepare reports for Audit Committee;
 - ◆ Develop a risk based internal audit plan;
 - ◆ Audit the risk process across the organisation;
 - ◆ Receive and provide assurance on the management of risk; and

- ◆ Report on the efficiency and effectiveness of internal controls.

4.0 Risk Registers

4.1 The Audit and Risk Management Section will maintain both strategic and operational risk registers and record all significant risks. The registers are held in spreadsheets which can be viewed on the council's intranet and will be used to monitor risk movements.

- ◆ The strategic risk register will be reviewed **annually** by the Corporate Management Team via a risk workshop, and action plans will be updated **quarterly**.
- ◆ The operational risk register will be reviewed **annually** by Heads of Service or the relevant Service Director and action plans will be updated **every six months**.
- ◆ Amendments to risk scores (likelihood x impact) can only be actioned by the Audit and Risk Management Section after evidence of increased or improved control, or another viable explanation has been recorded e.g. the activity ceases altogether.

4.2 To ensure that the risk registers are comprehensive and accurately reflect the levels of risk within the Authority, all relevant and available sources of information will be used in their compilation and review, namely:-

- ◆ The council's Annual Governance Statement;
- ◆ Internal Audit Reports;
- ◆ External Audit Reports;
- ◆ Risk Assessments;
- ◆ Incident / Accident reports;
- ◆ Insurance Claims and advice from the council's Insurers;
- ◆ Complaints; and
- ◆ Any relevant articles from risk management publications.

5.0 STORM Methodology

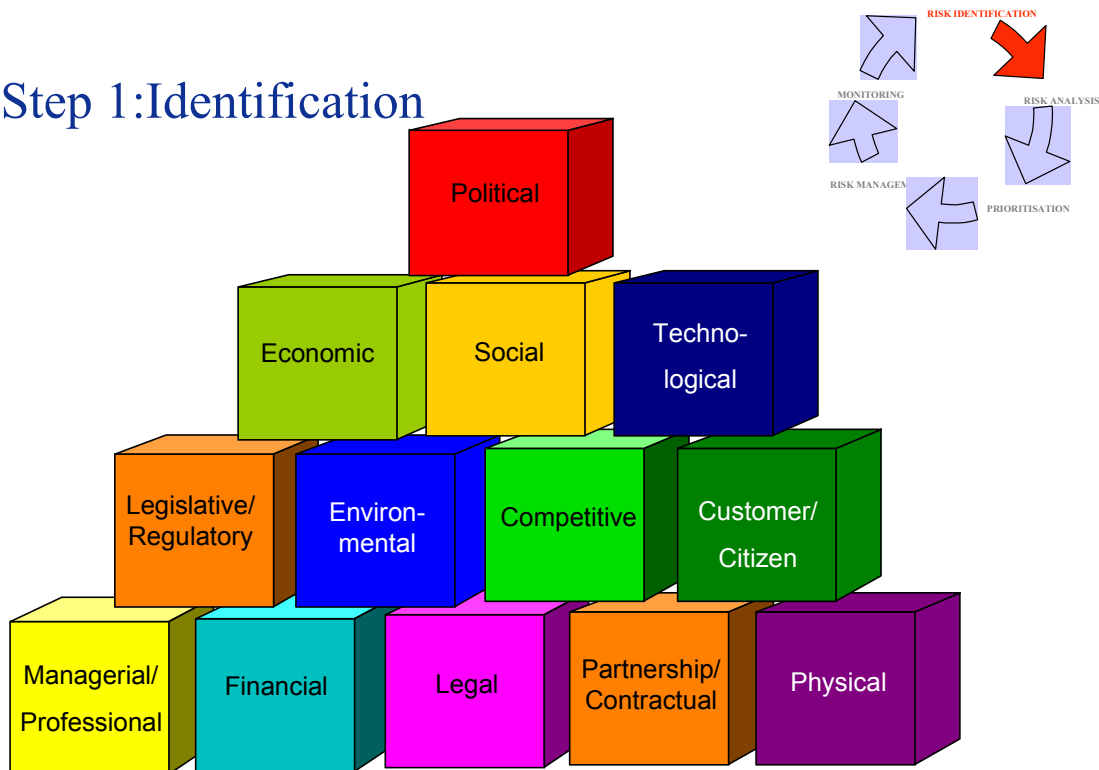
5.1 The process has five main steps to follow; Risk Identification, Risk Analysis, Prioritisation, Risk Management and Monitoring.

- ◆ **Risk Identification**; Uses the table of risk categories to help identify all risks associated with the action or direction the council takes.

- ♦ Risk Analysis: The vulnerability, trigger and consequences are highlighted.
- ♦ Prioritisation: This scores the likelihood and impact or severity of the risk. The risk is then plotted on a graph called the Risk Profile. Action must be taken to control any risks that have been identified and profiled above the council's risk appetite.
- ♦ Action Planning: To manage “downwards” either the likelihood, the impact or both.
- ♦ Monitoring: The Audit Committee will monitor the progress of the strategic risk register plans via reports provided to their November meeting.

5.2 Categories of risk to consider when using the STORM process to identify risk are illustrated in the diagram below.

Step 1: Identification



5.3 The quality of data must also be considered when evaluating risk. Data can be collected and used in any of the above areas. However if a decision is to be based on that data, or performance measured or judged

on it, then the source must be assured. The key elements of quality data are listed as follows.

- ◆ Accuracy
- ◆ Reliability
- ◆ Relevance
- ◆ Validated
- ◆ Timely, and
- ◆ Complete.

6.0 Risk Management Standards

6.1 Despite the publication of ISO 31000, the global risk management standard, the Institute of Risk Management (IRM) has decided to retain its support for the original risk management standard. This historic standard was formulated in 2002 by The Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC), the Institute of Risk Management (IRM) and the Public Risk Management Association (ALARM). It is still being referred to as it is a simple and accessible guide that outlines a practical and systematic approach to the management of risk.

6.2 The standard is not prescriptive i.e. a box ticking exercise or a certifiable process. Instead, the standard represents best practice against which organisations can measure themselves. The council has reviewed its risk management policy against this standard.

7.0 Summary

7.1 The adoption of this policy and the ongoing efforts to embed sound risk management principles into the council's 'fabric' will improve the way in which services are delivered. A solid, well-documented and comprehensive approach to risk management and its adoption into the decision making process is good practice, essential to good management and strengthens the council's governance framework.

This page is intentionally left blank



Report of:	Meeting	Date	Item no.
Head of Finance (S151 Officer)	Audit Committee	19 June 2018	9

DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

1. Purpose of report

- 1.1 To approve the draft Annual Governance Statement (AGS) for 2017/18 for inclusion in the Annual Statement of Accounts in July 2018 following a review of the council's governance arrangements.

2. Outcomes

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

3. Recommendations

- 3.1 The Committee is asked to review and formally approve the draft AGS, which incorporates the council's Code of Corporate Governance.

4. Background

- 4.1 The AGS is a valuable means of communication. It enables an authority to explain to the community, service users, taxpayers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.
- 4.2 In accordance with the Accounts and Audit Regulations 2015 the council is required to prepare an AGS, which is published alongside the Statement of Accounts. The first AGS was approved by the Audit Committee in May 2008.
- 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'. 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.

4.3 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.

5. Key Issues and proposals

5.1 The draft AGS and action plan for 2017/18 are attached at Appendix 1 and 2 and have been prepared following a workshop which was attended by 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 paragraph 4.3.

5.2 The Leader of the Council and the Chief Executive have signed the statement certifying that they are aware of the governance issues within the Authority and of the measures that are needed to mitigate them.

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
data protection	x

report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	08.06.17

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

List of appendices

Appendix 1 – Draft Annual Governance Statement 2017/18

Appendix 2 – Annual Governance Statement Action Plan – 2017/18

DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

1.0 INTRODUCTION TO CORPORATE GOVERNANCE

- 1.1 Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately leads to good outcomes for the citizens and the service users of Wyre. Good governance also enables the council to pursue its corporate vision effectively, as well as underpinning that vision, with mechanisms for control and management of risks.

2.0 SCOPE OF RESPONSIBILITY

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

3.0 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

- 3.3 The governance framework has been in place at Wyre Council for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts.

4.0 WYRE COUNCIL'S LOCAL CODE OF CORPORATE GOVERNANCE

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have published a framework and guidance for delivering good governance in local government. The guidance helps local authorities to interpret the overarching principles contained in the framework prior to developing and maintaining their own 'local' corporate governance arrangements. The framework recognises that effective governance is achieved through seven core principles and 21 sub-principles.
- 4.2 It should be noted that the CIPFA/SOLACE guidance is not prescriptive and authorities are encouraged to use it in a way that best reflects their structure, type, functions and size.

5.0 HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

- 5.1 Set out below is how the council has complied with the seven core principles set out in the CIPFA/SOLACE framework during 2017/18.

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

Behaving with integrity

- Established codes of conduct define expected standards of personal behaviour for both staff and Members.
- The Council has a set of values for its staff reflecting public expectations about the conduct and behaviour of individuals.
- The Council has a Member Code of Conduct in place that helps to achieve high standards of conduct for elected Members.
- Induction training is in place for both staff and newly elected Members.
- Arrangements are in place to ensure that Members and employees of the council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.
- A register of interests is maintained for Members and officers.
- An up-to-date register of gifts and hospitality is maintained and is reviewed annually by the Monitoring Officer and the Audit Committee.
- There is an efficient Standards Committee.
- Arrangements are in place for whistleblowing, to which all officers, Members and all those contracting with the council have access. The policy is reviewed annually by the Audit Committee.
- Arrangements are in place so that conflicts of interest on behalf of Members and officers are avoided.
- Effective, transparent and accessible arrangements are in place for dealing with

complaints.

Demonstrating strong commitments to ethical values

- The Head of Governance (Chief Internal Auditor) champions ethical compliance for both officers and Members.
- Protocols are in place for partnership working. These are documented in the council's Financial Regulations and Financial Procedure Rules.
- A competency framework, listing required behaviours and values, is currently used to drive recruitment and performance reviews are undertaken as part of the performance appraisal system.
- Policies and procedures are in place and are regularly reviewed for dealing with unacceptable behaviours.

Respecting the rule of law

- The authority has complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the Role of the Chief Financial Officer in Local Government.
- The Constitution sets out the responsibilities of elected Members by defining the decision-making powers of the Council, Executive, Overview and Scrutiny and regulatory and other committees, providing clear terms of reference, and describing roles and functions.
- The Head of Governance (Chief Internal Auditor) has extensive internal audit experience and is professionally qualified. She is a certified and chartered auditor (CIA, CMIIA) and also holds a Qualification in Internal Audit Leadership (QIAL).
- Anti-fraud and anti-corruption policies are in place and reviewed annually by Audit Committee.
- The Monitoring Officer is responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Up to date job descriptions and person specifications are maintained for the Chief Executive, Section 151 Officer and the Monitoring Officer.
- All staff have completed training in respect of the Data Protection Act 2018 and the incorporated General Data Protection Regulations.
- Regular training is provided to elected Members who sit on regulatory committees such as Planning, Licensing and the Audit Committee.
- Specific legislative requirements are observed, as well as the requirements of general law, and in particular the key principle of good administrative law, rationality, legality and natural justice form part of procedures and decision-making.
- Proper professional advice on matters that have legal or financial implications is available and when sought, recorded in advance of decision-making.
- Limits of lawful activity are recognised by the ultra vires doctrine and managers strive to utilise their powers to the full benefit of the community.
- All allegations concerning breaches of the code by elected Members are thoroughly investigated.

Core Principle B – Ensuring openness and comprehensive stakeholder engagement.

Openness

- A business plan is published annually giving information on the council's strategic narrative, priorities and performance measures which is shared with all officers, Members, partners and the community.
- An annual statement of accounts is produced with an easy to read narrative report.
- The annual efficiency statement is published with the revenue estimates.
- The Head of Finance (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 council as a whole is open and accessible to the community, service users and its officers and is committed to openness and transparency in all its dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.
- The council has recently participated in a Local Government Association peer review.
- Annual staff meetings are held encouraging staff engagement.
- The council has been awarded a 4 star rating in the last annual SOCITM (Society of Information Technology Management) review.
- The council complies with the Local Government Transparency Code 2015 and a recent audit review gave 'substantial assurance' that the council was complying with the Code.
- Wyre Voice, an information leaflet produced by the council, is delivered to every household twice a year. The autumn edition includes an annual report highlighting achievements.
- Periodic reports are produced on Overview and Scrutiny function activity.
- Key decisions are published in the schedule of executive decisions.
- Audio recordings of Council meetings are available on the council's website.

Engaging comprehensively with institutional stakeholders

- The leisure management partnership board meets regularly to oversee the operation of the council's leisure centres and pools.
- 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 and has recently held training for them in relation to the new Data Protection Act and the General Data Protection Regulations.
- Clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively, e.g. flood forums, the Fylde and Wyre Health and Wellbeing Partnership Board, the Waste Management Partnership Board and the Leisure Management Partnership Board.

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.
- In February 2018 a Digital Hub was launched at Fleetwood Market in partnership with the Citizens Advice Bureau to provide additional support to residents to help them develop their digital skills.
- The council has undertaken significant stakeholder engagement as part of the preparation of the local plan.
- The council commissions a biennial 'Life in Wyre' survey. The last survey took place in 2016.
- A 'together we make a difference network' is in place which is essentially asset based community development. This informal membership network led by the council is made up of council officers, elected Members and partners from all sectors with the aim to enable local people to make a difference in their local communities.
- A consultation portal is available which lists details on the consultations that are taking place across the Borough.

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, priorities, key programmes and projects in its business plan (2015 – 2019) 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.
- Quarterly performance monitoring is publically reported.
- There are effective arrangements to deal with failure in service delivery.
- There is a corporate complaints procedure with annual reports from the Local Government Ombudsman being available on the website.
- The medium term financial plan (MTFP) / revenue estimates and capital programme are soundly based and are designed to deliver the council's strategic priorities.
- The value for money indicators are reviewed annually with the results being reported to Cabinet and Overview and Scrutiny Committee annually.
- The council's approach to value for money is reflected in the annual efficiency statement reported to Cabinet with targets and achievements being regularly reported.
- Strategic and operational risk registers are maintained and workshops are held throughout the year to review current risks and identify new risks. The risk

registers are reviewed quarterly, in line with the business plan and the efficiency programme.

Sustainable economic, social and environmental benefits

- The council embraces community engagement and involvement and encourages neighbourhood engagement and works collectively with ward councillors, parish and town councillors, community groups and other partner organisations to identify local issues and priorities.
- Our business plan states a number of priorities which will improve the health and wellbeing of our communities.
- Relationships have been established with clinical leads from the Blackpool, Preston, Morecambe Bay and Fylde and Wyre clinical commissioning groups with a view to influencing service provision.
- The business plan is subject to an equality impact assessment on an annual basis and equality objectives are established and published on the website.
- The development of the local plan has been subject to extensive consultation.
- Individual capital projects are equality impact assessed promoting access to services.
- Our 'together we make a difference' initiative 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.

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.
- The Section 151 Officer now sits on the Digital Transformation Board.

Planning interventions

- The Council's business plan is refreshed annually and is subject to review by Overview and Scrutiny prior to approval by Full Council. The business plan is refreshed and published annually.
- 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 the life in Wyre survey and other demographic information, including locality plans, neighbourhood profiles, state of Wyre reports and public health reports.
- Service quality is regularly reviewed via the council's formal complaints system,

the Waste Management Partnership board and the Leisure Management Partnership Board.

- The business plan includes a set of measures which are reported quarterly to the Overview and Scrutiny Committee.
- The MTFP, revenue estimates and capital programme are published annually and are key documents for forecasting our budget requirements and planning ahead.
- An efficiency programme compliments the MTFP ensuring sustainability going forward.
- We explore opportunities to work with our partners and collaborate on funding applications.

Optimising achievement of intended outcomes

- The MTFP is agreed annually in October and updated regularly with a revised projection being presented to Management Board and published with the revenue estimates in February.
- The MTFP, revenue estimates and capital programme are soundly configured to meet the requirements of the business plan.
- The MTFP sets out the framework for corporately managing the council's resources in the years ahead.

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

Developing the Entity's capacity

- There is an agreement between the council and the YMCA identifying arrangements for the management of the council's health and fitness centres.
- Effective mechanisms exist to monitor service delivery through the Overview and Scrutiny arrangements and quarterly performance reports highlight where corrective action is necessary.
- A key activity in the council's business plan is to continue the programme of works to maximise the use of our assets.
- The council subscribes to the APSE advisory service, with a view to benchmarking its front line services.
- Benchmarking is undertaken via relevant Lancashire professional groups e.g. revenues, audit, finance etc.
- The council plays an active role in the Fylde and Wyre health and wellbeing partnership.
- The council's performance appraisal system allows for documentation of the development of the individual through their personal development plan.
- Commercial awareness training has been provided for all staff.
- The council's Chief Internal Auditor and Insurance Officer are currently undertaking these roles for Lancaster City Council on a contractual basis.
- The Internal Audit Service recently received a 'full compliance' overall opinion when assessed against the Public Sector Internal Audit Standards (PSIAS).
- The council regularly benchmarks Member's allowances as part of the review undertaken by the independent remuneration panel.

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

- The Chief Executive is responsible and accountable to the council for all aspects of operational management and is required to attend regular performance appraisal meetings with the Leader of the Council.
- The Head of Finance (Section 151 officer) is responsible to the council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- There is an established pay and grading structure for employees referred to as the job evaluation system and a process for appeals.
- There is a clearly defined management structure and a scheme of delegation to officers, which is underpinned by the Members' Code of Conduct and a protocol for officer / Member relations.
- There are published job descriptions and established protocols, which ensure that the Leader and Chief Executive establish their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.
- Financial Regulations and Financial Procedure Rules are reviewed annually by the Audit Committee.
- Career structures are in place for Members and officers to facilitate succession planning.
- Effective management arrangements are in place both at the top of and throughout the organisation to support the health and wellbeing of officers.
- The council assesses the skills required by Members and officers and makes a commitment to develop these to enable roles to be carried out effectively.
- The council ensures that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the council.
- Training programmes are tailored to meet individual needs and there are opportunities for Members and officers to update their knowledge on a regular basis.
- All elected Members and staff have personal development plans.
- Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
- Arrangements are in place via the volunteering initiative to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority.
- A competency framework exists to ensure that all staff have appropriate skills enabling them to deliver high quality services.

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

Managing risk

- Risk management is embedded into the culture of the council, with Members and managers at all levels recognising that risk management is part of their job.
- The risk management policy is refreshed annually and approved by the Audit Committee.
- Following an ICT service review by SOCITM, the council has recently implemented an IT risk register which will be reviewed on a quarterly basis.
- Strategic and operational risk registers are maintained and workshops are held regularly to review current risks and identify any new risks.
- Information asset registers are in place ensuring compliance with legislation and demonstrating best practice in information governance.

Managing performance

- Performance is regularly reported to Corporate Management Team and Cabinet.
- The council has an Overview and Scrutiny Committee which allows for constructive challenge and enhances the council's performance overall.
- There are effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- There is a calendar of dates for submitting, publishing and distributing timely reports to the council's committees.
- An Annual Report is published quarterly on the council's website.

Robust internal control

- An effective internal audit function is adequately resourced and maintained.
- Internal audit reviews are conducted under the Auditing Practices Board guidelines and in line with Public Sector Internal Audit Standards (PSIAS).
- In accordance with the Accounts and Audit Regulations 2015, an annual assessment of the council's systems of internal audit is carried out using the PSIAS and the checklist provided in the Local Government Application Note published by CIPFA. The standards also require an external assessment be carried out every five years. In April 2018 the Internal Audit Services received a 'full compliance' overall opinion following an external assessment carried out by Allerdale Borough Council and Preston City Council.
- The Head of Governance (Chief Internal Auditor) has developed a quality assurance improvement programme to ensure the continual improvement of the internal audit service.
- An effective Audit Committee is in place, which is independent of the Executive and the Overview and Scrutiny function.
- The Audit Committee undertakes an annual review of its own effectiveness against the checklist in the CIPFA guidance 'effective audit committees' and is satisfied that it meets the required standard.
- Both the Head of Governance (Chief Internal Auditor) and Senior Auditor have extensive experience and are both professionally qualified. The Chief Internal Auditor is a Chartered Auditor and also holds a Qualification in Internal Audit Leadership. The Senior Auditor is a Certified Auditor.
- The implementation of internal audit reports recommendations is monitored by the Internal Audit Team and the Audit Committee.
- Counter-fraud policies are in place and reviewed annually. The effectiveness of these policies is reviewed on a regular basis.

- Robust whistleblowing arrangements are in place.

Managing data

- The council has recently trained all staff on the new General Data Protection Regulations (GDPR) using an e-learning package.
- The council has appointed a Data Protection Officer who is responsible for ensuring the council's compliance with the Data Protection Act 2018 and the incorporated GDPR.
- Information Asset Registers are in place to demonstrate the council knows what data it processes, where it is stored and how it is shared internally and externally.
- Information is stored securely and confidential waste disposal arrangements are in place. Regular security sweeps of the council's buildings take place to test compliance.
- Key performance data is regularly reviewed for accuracy by internal audit.

Strong public financial management

- Those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications.
- An up to date register of gifts and hospitality is held and is annually inspected by the council's Audit Committee and the Monitoring Officer.
- There is an established pay and grading structure in place for employees.
- Financial Regulations and Financial Procedures Rules are reviewed annually and any changes are presented to the Audit Committee for approval.
- Registers of interests are maintained for both officers and elected Members.
- The External Auditors issued an unqualified value for money conclusion for the 2016/17 financial year.

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

Implementing good practice in transparency

- The council complies with the Local Government Transparency Code 2015.
- Wyre Voice, an information leaflet produced by the council is delivered to every house in the Borough.
- An easy to read 'narrative report' accompanies the Statement of Accounts.
- The Local Government Ombudsman annual report is published on the council's website.

Implementing good practices in reporting

- Annual presentations are delivered for elected Members concerning the council's finances as part of the production of the revenue estimates, the capital programme and the update of the MTFP.

- A set of questions and answers supports the financial position at the year-end illustrating key issues for members of the Audit Committee and the relevant stakeholders.
- The annual efficiency statement is published alongside the revenue estimates as part of the report to Cabinet in February.
- The Annual Governance Statement is regularly reviewed by the Section 151 Officer and the Head of Governance (Chief Internal Auditor). The action plan is monitored by the Corporate Management Team and reported to Audit Committee.
- The value for money indicators are reviewed annually with the results being reported to Cabinet.
- Project management information is available for elected Members to view using the TEN system.
- Executive update reports are prepared and delivered by portfolio holders to Full Council.

Assurance and effective accountability

- The council ensures that all priority one audit recommendations and a sample of priority two and three recommendation are subject to a follow-up audit ensuring that recommendations are acted upon.
- An effective internal audit function is resourced and maintained enabling them to deliver an annual internal audit opinion.
- In accordance with the Audit and Account Regulations 2015, an annual assessment of the effectiveness of the internal audit function is completed.
- The Audit Committee work programme provides the opportunity for the Head of Governance (Chief Internal Auditor) to have a private and confidential discussion with the Audit Committee Members.
- The council participates in RIPA inspections every three years. All recommendations following the last review in 2015 have been implemented.
- The recent SOCITM inspection of the authority's website resulted in a 4 star rating.
- 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, the Leisure Management Partnership, Fylde and Wyre Health and Wellbeing Board and the Community Safety Partnership.

6.0 RISK MANAGEMENT

- 6.1 The council has adopted a corporate risk management policy and operates a fully integrated risk management system across the organisation. Relevant officers have received training in risk management enabling the

production of operational risk registers with associated risk action plans, which are reviewed on a regular basis.

- 6.2 Each year the council's Corporate Management Team (CMT) holds a strategic risk workshop, to identify and prioritise strategic risks and to produce an action plan. Significant business risks that may impact upon the council's priorities have been identified and assessed, and appropriate control measures are in place. The report and associated action plan is presented to Management Board and Audit Committee and progress is monitored on a regular basis through the CMT.
- 6.3 Following a recent review of the ICT Service by SOCITM, the council has now formulated an ICT risk register. This is reviewed quarterly by Internal Audit and the Service Director for Performance and Innovation.

7.0 REVIEW OF EFFECTIVENESS

- 7.1 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.
- 7.2 The council is also responsible for conducting a review each financial year of the effectiveness of the system of internal control.
- 7.3 The Head of Finance (Section 151 Officer) is responsible for the proper administration of the council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations and Financial Procedure Rules, to ensure they remain fit for purpose, submitting any additions or changes necessary to the Audit Committee for approval and reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the Council.
- 7.4 The Head of Finance (Section 151 Officer) also has responsibility for:
- overseeing the implementation and monitoring the operation of the Code of Corporate Governance;
 - maintaining and updating the Code in the light of latest guidance on best practice; and
 - reporting annually to the Corporate Management Team and to Members on compliance with the Code and any changes that may be necessary to maintain it and ensure effectiveness in practice.
- 7.5 Wyre Council's internal audit service, via a specific responsibility assigned to the Head of Governance (Chief Internal Auditor) is required to provide an independent and objective opinion to the council on its risk management, governance and internal control environment. The Chief Internal Auditor's Annual report for 2017/18 concluded that the council has in place

satisfactory controls to be able to maintain an adequate and effective internal control environment.

- 7.6 The Chief Internal Auditor also stated that whilst significant progress has been made in ensuring the council's readiness for compliance to the Data Protection Act and the incorporated GDPR, there is still a considerable amount of work to be completed going forward and therefore recommended that this be documented in the AGS.
- 7.7 Following an AGS workshop with key officers across the council, compliance to the governance framework and the core principles has been reviewed by the Head of Finance (Section 151 Officer), the Head of Governance (Chief Internal Auditor) and the Audit Committee.

8.0 VALUE FOR MONEY CONCLUSION

- 8.1 The External Auditors issued an unqualified value for money conclusion in their most recent review for 2016/17. This means that they are satisfied that the council has proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness. To arrive at that conclusion they looked at the council's financial governance, financial planning and financial control processes, as well as reviewing how the council prioritises its resources, improves efficiency and productivity.

9.0 SIGNIFICANT GOVERNANCE ISSUES

- 9.1 No significant governance issues have been raised that require documenting separately in the Annual Governance Statement.
- 9.2 Following the workshop with the council's key officers, minor issues have been identified which have been documented in an action plan that will be monitored by Corporate Management Team and reported to the Audit Committee in November each year.

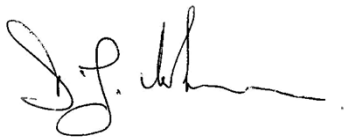
10.0 REVIEWING AND REPORTING ARRANGEMENTS

- 10.1 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.
- 10.2 Each year, normally in April / May, a governance workshop is held with key officers of the council who have the most appropriate knowledge, expertise and levels of seniority to consider the extent to which the organisation complies with the principles set out in the good governance framework. The principles are discussed in length and evidence is put forward to demonstrate how the council is meeting each of the principles. It is also an opportunity to identify any issues or gaps that could lead to a weaker governance structure. Following this meeting, the AGS and an action plan

of minor issues is submitted for consideration by the Leader and Chief Executive who then sign to certify they are aware of the governance issues within the Authority and of the measures that are required to improve the controls around the council's governance framework.

11.0 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 31st March 2018 is satisfactory.

A handwritten signature in black ink, appearing to read 'D Henderson', with a long horizontal flourish extending to the right.

**COUNCILLOR D HENDERSON
LEADER OF THE COUNCIL**

As the Chief Executive, I am aware of the governance issues within this Authority and of the measures that are needed to improve the control environment. Overall, my assessment of the control environment as at 31st March 2018 is satisfactory.

A handwritten signature in black ink, appearing to read 'G Payne', with a large, stylized 'P'.

**G PAYNE
CHIEF EXECUTIVE**

ANNUAL GOVERNANCE STATEMENT 2017/18

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible
Information Governance	C/F 2016/17	Whilst the Council has made significant progress ensuring its readiness for the GDPR, there are still areas of concern, namely, data sharing and contracts.	<p>The Data Protection Officer will ensure that where the information asset registers state that data is shared, a data sharing agreement is in place.</p> <p>The DPO, Senior Solicitor and the Procurement Officer will continue to work through the contracts that contain personal data and ensure T&C's are GDPR compliant.</p>	<p>Data Protection Officer (DPO)</p> <p>On-going</p> <p>DPO, Senior Solicitor & Procurement Officer</p> <p>On-going</p>
Money Laundering	C/F 2016/17	The MLRO and Deputy MLRO attended a course on the new Money Laundering and anti-Terrorist Regulations in January 2018. Whilst it was identified that there were elements within the new Regulations that do not apply to Local Authorities, the MLRO will need to ensure that all staff handling cash can identify any signs of laundering and know how to report it.	The MLRO and Deputy MLRO will identify the relevant members of staff that require training.	<p>MLRO / Deputy MLRO</p> <p>December 2018</p>
Member Training	C/F 2016/17	The Council has agreed that all members will complete a Councillor Development Plan (CDP) and a Development Needs Analysis (DNA) to ascertain general training needs. However, it was identified that these have not been refreshed for some time and do not necessarily provide the information required to complete an	The current CDP and DNA will be refreshed prior to the next Election in May 2019.	<p>Democratic Services Team</p> <p>May 2019</p>

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible
		accurate skills and knowledge framework.		
Council's Constitution	C/F 2016/17	Following a number of restructures and local government changes it was identified that the constitution needs to be refreshed to ensure it is up-to-date and fit for purpose. Whilst some work has been completed, progress is slow. Phase one, which is the review of the Introduction, Articles and the Portfolio Holder responsibilities, is due to go to Council in June 2018. However, the main review is still outstanding.	CMT will decide what this review will cover and who will need to be involved.	Corporate Management Team / Democratic Services Team Timescale TBC
	2017/18	Although a number of key officers are involved in the implementation and roll out of policies and procedures in relation to information governance, there is currently no requirement to obtain committee approval. Given that the Audit Committee are responsible for Governance, it would seem appropriate that this is added to their terms of reference.	Given the importance of ensuring compliance with the new Data Protection Act 2018 and the incorporated GDPR, the Audit Committees Terms of Reference will be amended to include responsibility for information governance (IG), namely approving the Council's IG policies and procedures and championing the importance of compliance.	Democratic Services Manager / Head of Governance June 2018
Performance Appraisals	C/F 2016/17	The new appraisal framework has been in place for 12 months and there are a number of concerns that need addressing; <ul style="list-style-type: none"> • A number of PDP's still o/s; • The high level manager values still need to be reviewed; and • The self- booked 1-2-1's are not working as intended. 	A 12 month review will be completed by the Head of Business Support.	Head of Business Support Summer 2018

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible
Equality	C/F 2016/17	Following an internal audit review of the Council's compliance to the Equality Act, a number of recommendations were made, one of which involved assigning overall responsibility for equality to the Head of Business Support. However due to resources the audit actions are still outstanding.	To ensure the work required can be adequately resourced, a decision needs to be made who in HR will be responsible for implementing the actions within the recent audit to ensure the organisation is compliant with the Equality Act.	Head of Business Support September 2018
RIPA	2017/18	Officers using RIPA to carry out surveillance and authorising officers last received training approximately three years ago. The Council's next inspection is November 2018.	RIPA training will be arranged prior to the inspection in November 2018.	Senior Solicitor November 2018
Members Code of Conduct	2017/18	Following a recent member investigation carried out by the MO at Blackpool Council it was suggested that the Members' Code of Conduct was not robust and required a number of changes to ensure it was robust and fit for purpose.	The Members' Code of Conduct will be reviewed. This review will also include a review of the social media policy.	Monitoring Officer and Democratic Services Manager Timescale TBC
Corporate Inductions	2017/18	Owing to staff turnover, the council has streamlined the corporate inductions process. At present, new starters are presented with an induction manual and will spend an hour on their first morning with personnel from HR. There is a new starter checklist which is completed in part by HR but mainly by the line manager. Whilst other officers used to be involved in inductions (CMT, Head of Governance,	It is suggested that the corporate induction checklist be reviewed to ensure it covers all the necessary requirements, for example, completion of any data protection training and the meeting and greeting of key officers and is generally brought up-to-date.	Human Resources Timescale TBC

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible
		ICT) this has been phased out over time.		
Ethical Governance	2017/18	In previous years, the council has used an ethical governance survey to ensure both officers and members know and understand the council's key policies and procedures around expected behaviours. The last survey was completed several years ago.	An ethical governance survey will be carried out for both staff and members to refresh knowledge and understand and highlight any training requirements.	Head of Governance September 2018
Audit Committee	2017/18	Some of the current membership of the Audit Committee (AC) do not have the necessary skill set, set out by CIPFA in their 'practical guidance for Audit Committee' publication. Given the Audit Committee are responsible for signing off two of the council's most important statements (the Annual Governance Statement and the Statement of Accounts), it is suggested that CIPFA's guidance should be used when allocating members to the AC.	The CIPFA 'practical guidance of Audit Committees' should be used when appointing members to AC. The other regulatory committees (Planning and Licensing) should also be reviewed to ensure that any statutory or recommended guidance in relation to membership is considered when allocating membership.	Corporate Management Team / Leader of the Council Timescale TBC
Report Author Guidance	2017/18	Although report author training has recently been given, there are still a number of issues with report writing, namely; <ul style="list-style-type: none"> Officers are not contacting the key officers at the start of the process for any financial or legal considerations. Incorrectly, this is still considered to be the final check; The reports don't always give 	Report authors will be reminded about the importance of involving key personnel at the start of the process rather than at the end. The implications box will be moved to the top of the report and ICT, DP / PIA implications will be included. Any decisions that require a PIA will not be cleared by CMT unless the PIA has been signed off by the	Corporate Management Team / Democratic Services Manager Timescale TBC

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible
		<p>information on the number of options to consider, often the reports read as though the decision has been made and there is only one option;</p> <ul style="list-style-type: none"> • The implications boxes are not always used and when they are, it's often incorrect; and • Other implications should be considered and documented within the report, for example ICT and Data Protection, including the needs for a Privacy Impact Assessment (PIA). 	Data Protection Officer.	
Succession Planning	2017/18	A number of concerns were raised during the AGS workshop around the council's capacity in particular around the council's aging population and the reduced opportunity for succession planning.	A review of the council's age profile will be carried out to identify where there could be capacity issues in the future and where there is a need for succession planning.	<p>Corporate Management Team</p> <p>Timescale TBC</p>
Standing for Election checks	2017/18	Whilst the council fully complies with the Electoral Commission in relation to applying the necessary pre-qualification checks in relation to standing for elections, a number of issues have been raised around how these requirements are satisfied.	The Monitoring Officer will liaise with the Election and Information Governance Manager to ensure that more detailed checks are made when completing pre-qualification checks.	<p>Monitoring Officer / Elections and Information Governance Manager</p> <p>May 2019</p>
YMCA	2017/18	A number of issues around transparency and openness have been raised in relation to the arrangement in place between the council and YMCA, whereby the YMCA	A meeting with the YMCA has been arranged in June 2018 to discuss the outturn and the proposal for reducing the subsidy	Service Director Health and Wellbeing

Governance Issue	Year relating to	Finding	Action required	Timescales / Officer Responsible
		<p>operate and manage our Leisure Centres.</p> <p>The 2017/18 subsidy target was exceeded by just over £66,000. However this was not reported until May 2018, although a smaller overspend had been forecast in the new year. There has also been significant changes to the management of the YMCA which the council was not consulted on but which contributed to the overspend.</p>	<p>in future years. Any significant changes will need to be taken to Corporate Management Team and Management Board for agreement.</p>	
Leadership Changes	2017/18	<p>There has been a number of changes to the Leadership of the ruling group and Cabinet in late 2017 and early 2018 as well as changes to the Leadership of the opposition group in early 2018.</p>	<p>Changes to the Council's leadership and the leadership of the opposition group will require the development of new working relationships between officers and Members using the Code of Conduct and other guidance as support.</p>	<p>Corporate Management Team / Cabinet / Group Leaders / Monitoring Officer</p> <p>On-going</p>

This page is intentionally left blank