



Audit Committee Agenda

Wyre Borough Council
Date of Publication: 12 June 2017
Please ask for : Democratic Services
Tel: 01253 887444

**Audit Committee meeting on Tuesday, 20 June 2017 at 6.00 pm
in the Civic Centre, Poulton-le-Fylde**

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

Members and officers will disclose any pecuniary and any other significant interests they may have in relation to the matters under consideration.

- 5. Confirmation of minutes** (Pages 1 - 4)

To approve as a correct record Minutes of the last meeting of the Audit Committee held on 7 March 2017.

- 6. Training Re: Statement of Accounts 2016/17**

Presentation by the Head of Finance / Section 151 Officer.

- 7. Review of Effectiveness of Internal Audit** (Pages 5 - 84)

Report of the Head of Finance / Section 151 Officer.

- 8. Internal Audit Annual Report 2016/17** (Pages 85 - 116)

Report of the Head of Finance / Section 151 Officer.

- 9. Annual Governance Statement 2016/17** (Pages 117 - 134)

Report of the Head of Finance / Section 151 Officer

- 10. External Audit Annual Audit Fee 2017/18** (Pages 135 - 142)
Letter from the Council's External Auditors, KPMG
- 11. Items for Information** (Pages 143 - 152)
• Work programme and scale of fees 2017/18
- 12. Periodic Private Discussion with External Auditor, KPMG**
- 13. Time and date of next meeting**
Tuesday 25 July at 6pm



Audit Committee Minutes

Minutes of the meeting of the Audit Committee of Wyre Borough Council held on Tuesday 7 March, 2017 at the Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillor R Amos	Councillor Ingham
Councillor E Anderton	Councillor McKay
Councillor Ballard	Councillor Moon
Councillor Collinson	Councillor A Turner
Councillor Fail	Councillor Wilson
Councillor Greenhough	
Councillor Holden	

Apologies: Councillors Balmain and Barrowclough.

Officers present:

C James – Head of Finance and Section 151 Officer
J Billington – Head of Governance
K McLellan – Senior Auditor
C Leary – Democratic Services Officer

Non-members present: C Paisley - Audit Manager of KPMG and Councillor I Amos

Members of the public present:

None

Audit. 37 Declarations of interest

None.

Audit. 38 Confirmation of minutes

RESOLVED that the minutes of the Audit Committee meeting held on 8 November, 2016 were confirmed as a correct record.

In relation to minute Audit 29, the Head of Governance provided an update on how well the one-to-one meetings had gone, with members of the Audit Committee. She then informed those four members, namely, Ballard, Holden, E Anderton and Collinson, who were still outstanding, that she would be contacting them shortly.

Audit. 39 Review of Audit Committee's Terms of Reference

The audit committee's terms of reference are subject to an annual review, in accordance with CIPFA's best practice guidance 'Audit Committees – Practical Guidance for Local Authorities'.

The Head of Governance stated that she did not intend to go through each of the core functions of the Terms of Reference as members had recently had 1-1's where the core functions of the Audit Committee had been discussed.

Following an email from Councillor Fail, The Head of Governance gave him the opportunity to raise his concerns in relation to the publishing of internal audit reports and more specifically, the follow-up and implementation of recommendations made.

The Head of Governance stated that audit reports are issued to the Audit Committee for information only and they are to be used to enable them to give an independent overall opinion on the adequacy of the Council's risk management framework, the internal control environment, the annual governance statement and the integrity of the financial reporting.

The Head of Governance confirmed that recommendations are followed-up as required. She encouraged members to challenge responsible officers if recommendations are not implemented, but this should be done when the date agreed for implementation has passed, not at the time the reports have been issued.

RESOLVED: that the Audit Committee approved the previously agreed terms of reference and agreed that they accurately reflect the role of the committee.

Audit. 40 Annual Internal Audit Plan 2017/18

The Head of Governance introduced the report and took members through each section of the audit plan.

The Head of Governance stated that interim procedures were in place at the Marine Hall and adequate support will be provided to the Marine Hall, Thornton Little Theatre, Fleetwood Market and the Tourist Information Centre. Time has been allocated for this in the audit plan.

RESOLVED: That the Annual Internal Audit Plan for 2017/18 be approved.

Audit. 41 Risk Management Update

The Senior Auditor introduced the revised Risk Management Policy and explained that the policy is normally brought to the Audit Committee in September, however following the recent Strategic Risk Management workshop, it was agreed that the policy be reviewed to take account of the decision to review the risk action plans on a quarterly basis rather than 6 monthly as stated in policy.

The Senior Auditor then took the Committee through the strategic risk report, which had been published following the recent strategic risk workshop which was attended by the Audit Chairman in her capacity of risk champion. She explained that two new risks had been identified and that one risk had been removed. She then provided details of the seven risks that were above the council's risk appetite.

The Senior Auditor stated that in accordance with the council's risk management processes, a review of the directorate operational risk registers will be undertaken in March 2017, to review the risks currently recorded on the operational risk registers and to identify and prioritise any new risks facing each of the directorates in the delivery of their service plans for 2017/18.

RESOLVED that the amended Risk Management Policy and the annual Strategic Risk Management Review document be approved.

Audit. 42 Certification of Claims & Returns Annual Report 2015/16

The External Auditor introduced the report, which summarised the results of their work on the certification of Wyre Council's 2015/16 claims and returns namely, the Housing Benefit subsidy claim. He explained there were no issues or errors with the claim and they therefore certified the claim unqualified and without amendment.

RESOLVED: that the Certification of Claims and Returns Annual Report for 2015/16 report be noted.

Audit. 43 External Audit Plan 2016/17

The External Auditor presented the report which describes how KPMG will deliver their audit work for Wyre Council and sets out their approach to the value for money arrangements work. He informed members of the recent changes at KPMG and the team that would be working with Wyre Council.

Councillor E Anderton requested that the plan be updated to reflect and show the monies given by Fleetwood Town Council towards the Coastal Protection Scheme. The External Auditor said he would amend the plan and reissue.

Resolved: That the External Audit Plan 2016/17 from KPMG, the External Auditors, be noted.

Audit. 44 Periodic private discussion with Head of Internal Audit

Audit Committee Members are provided annually with an opportunity to speak to the Head of Governance in confidence, in accordance with the Audit Committee work programme.

The Head of Finance, the Senior Auditor, the External Auditor and the Democratic Services Officer left the room for this item.

Audit. 45 Date and time of next meeting

Audit Committee Meeting, Tuesday 13 June 2017 at 6pm in the Council Chamber

The meeting started at 6pm and finished at 7.05pm, with an additional 30 minutes for the private discussion.

Date of Publication: Monday 27 March 2017

arm/ex/audit/mi/070317



Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	20 June 2017	7

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. Recommendations

3.1 The Committee is asked to note the results of the June 2017 review of the effectiveness of Internal Audit detailed in Appendix 1.

4. Background

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

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

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

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. A decision has been made by the majority of the Lancashire Districts to continue with the annual self-assessment completed by the CAE and for that annual self-assessment to be independently verified via peer review. Wyre's peer review is scheduled to take place in March 2018 and is one of the last reviews being undertaken in the five year period specified.

5. Key issues and proposals

5.1 The Head of Governance (CAE) has assessed the effectiveness of internal audit using the recommended checklist contained within CIPFA's Local Government Application Note. This has subsequently been scrutinised by the Head of Finance (Section 151 Officer).

5.2 One action was identified during the last review in May 2016, relating to documenting in the final audit report when VFM work has been completed. It has been agreed with the Senior Auditor that the final report will state when VFM work has been carried out. There are no further actions that require attention following this assessment. The results of the review are attached at Appendix 1.

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

Other risks/implications: checklist

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

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	07.06.2017

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

List of appendices

Appendix 1 – Review of the effectiveness of internal audit - June 2017

arm/aud/cr/17/2006 Item 7

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Evidence for each response must be provided and reasons for any partial or full non-conformance should be given, together with any compensating measures in place or actions in progress to address this.

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Ref	Conformance with the Standard	Y	P	N	Evidence
1	Definition of Internal Auditing				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity:				
	a) Independent?	Y			An Audit Charter is in place that sets out Internal Audits independence. This is also documented in the Head of

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>Governance's (CAE) and Senior Auditor's job descriptions.</p> <p>As internal audit is responsible for the council's risk management and insurance arrangements, the council uses independent auditors (Lancashire County Council) to provide independent assurance that controls are adequate and effective.</p> <p>Audit are required from time to time to get involved / give advice on new systems / new controls etc. Due to the size of the team, it may be that the same auditor will then have to perform the audit. The auditor is, however mindful of their independence and has the option to call in Lancashire County Council if necessary.</p>
	b) Objective?	Y			<p>It is a requirement of both IIA and CIPFA for its members to be both independent and objective.</p> <p>Objectivity is one of the four fundamental principles listed in the Internal Audit Charter / Code of Ethics.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					All reports are reviewed by the Head of Governance (CAE) prior to issue to ensure that the auditor has remained objective and that an overall balanced view is given.
	Using evidence gained from assessing conformance with other Standards, 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?	Y			<p>There is a standard methodology in place for determining the ranking of opinions and rankings of findings / recommendations in audit reports.</p> <p>RISK / Control matrices are used to identify key areas prior to the start of each audit.</p> <p>The council has a risk management policy which is reviewed annually and uses Zurich Municipals' STORM methodology.</p> <p>The internal audit team use standardised working papers and audit report templates.</p>
2	Code of Ethics				
	Integrity Using evidence gained from assessing conformance with other				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Standards, do internal auditors:				
	a) Perform their work with honesty, diligence and responsibility?	Y			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. Elements such as these are a requirement of the role and, as such, are referred to in the job description and are reviewed quarterly via the council's performance appraisal process.
	b) Observe the law and make disclosures expected by the law and the profession?	Y			Auditors are required to complete an annual declaration of interests.
	c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation?	Y			Auditors are bound by their professional ethical standards and the Code of Ethics within the Internal Audit Charter.
	d) Respect and contribute to the legitimate and ethical objectives of the organisation?	Y			In addition to being bound by professional 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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>Objectivity</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p>				
	a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?	Y			<p>Compliance with Audit Charter / Code of Ethics</p> <p>Completion of annual declarations of interests.</p> <p>Audit are required from time to time to get involved / give advice on new systems / new controls etc. Owing to the size of the team, it may be that the same auditor will then have to perform the audit. The auditor is, however mindful of their independence and has the option to call in Lancashire County Council if necessary.</p>
	b) Accepting anything that may impair or be presumed to impair their professional judgement?	Y			<p>Compliance with the Audit Charter / Code of Ethics.</p> <p>Declaring any gifts and hospitality for inclusion on the council's register.</p> <p>Completion of annual declarations of interests.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	Y			<p>Compliance with the Audit Charter / Code of Ethics.</p> <p>Declaring any gifts and hospitality for inclusion on the council's register.</p> <p>Completion of annual declarations of interests.</p> <p>Compliance with Employee Code of Conduct and council's competency framework.</p>
	<p>Confidentiality</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p>				
	a) Acting prudently when using information acquired in the course of their duties and protecting that information?	Y			<p>Compliance with Audit Charter / Code of Conduct and Public Sector Internal Audit Standards.</p> <p>The Audit review process undertaken by the Head of Governance (CAE) includes a review of the information used for testing and how it was processed.</p> <p>Compliance with audit information asset registers.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					Understanding of the Data Protection Act.
	b) 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?	Y			Compliance to the Audit Charter / Code of Ethics and the auditors own professional standards.
	Competency Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:				
	a) Only carrying out services for which they have the necessary knowledge, skills and experience?	Y			The Senior Auditor is professionally qualified to PIIA standard and therefore has the experience and skills to carry out the required audits.
	b) Performing services in accordance with the PSIAS?	Y			The Senior Auditor has been supplied with a copy of Audit Charter / Code of Ethics and the PSIAS and performance is regularly assessed.
	c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	Y			Work related objectives are agreed in advance as part of the council's performance appraisal scheme. Staff are encouraged to maintain records of continuing professional development

Ref	Conformance with the Standard	Y	P	N	Evidence
					to satisfy their professional membership requirements. Regular attendance at the audit weekend school.
	Do internal auditors have regard to the Standards of Public Life's <i>Seven Principles of Public Life</i> ?	Y			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 Intranet.
	Standards				
3	Attribute Standards				
3.1	1000 Purpose, Authority and Responsibility				
	Does the internal audit charter include a formal definition of:				
	a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	Y			The Audit Charter includes a definition in accordance with the PSIAS.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.	Y			The Audit Charter defines the 'board' as the Audit Committee and 'Senior Management' as the Head of Finance (Section 151 Officer).
	Does the internal audit charter also:				
	a) Set out the internal audit activity's position within the organisation?	Y			See Audit Charter
	b) Establish the Chief Audit Executive's (CAE) functional reporting relationship with the board?	Y			See Audit Charter
LGAN	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	Y			See Audit Charter
LGAN	d) 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?	Y			See Audit Charter
	e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil	Y			See Audit Charter

Ref	Conformance with the Standard	Y	P	N	Evidence
	its responsibilities?				
LGAN	f) Define the scope of internal audit activities?	Y			See Audit Charter
LGAN	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	Y			See Audit Charter
LGAN	h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2015?	Y			See Audit Charter
LGAN	i) Establish the organisational independence of internal audit?	Y			See Audit Charter
	j) Cover the arrangements for appropriate resourcing?	Y			See Audit Charter
	k) Define the role of internal audit in any fraud-related work?	Y			See Audit Charter
	l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Y			See Audit Charter
	m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	Y			See Audit Charter
	n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties	Y			From 22 May 2017, the CAE (Head of Governance) is providing interim

Ref	Conformance with the Standard	Y	P	N	Evidence
	external to the organisation?				assurance in that role for Lancaster City Council. A service level agreement has been entered into for a period of 12 months, subject to review.
	o) Define the nature of consulting services?	Y			This is documented in the job description that is referred to in the service level agreement between Lancaster City Council and Wyre Council.
	p) Recognise the mandatory nature of the PSIAS?	Y			See Audit Charter
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	Y			An annual review is undertaken in September.
	Does the CAE attend audit committee meetings?	Y			See minutes of Audit Committee indicating attendees.
	Does the CAE contribute to audit committee agendas?	Y			See minutes of Audit Committee.
3.2	1100 Independence and Objectivity				
	Does the CAE have direct and unrestricted access to senior management and the board?	Y			The Head of Governance (CAE) reports directly to Senior Management and attends all the Audit Committee meetings to present reports. There is also an annual opportunity for the CAE to have a

Ref	Conformance with the Standard	Y	P	N	Evidence
					periodic private discussion with the Audit Committee.
	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?	Y			Access rights and reporting lines are documented in the Audit Charter. The Chairman of the Audit Committee attends regular pre-meeting briefings.
	Are threats to objectivity identified and managed at the following levels:				
	a) Individual auditor?	Y			Audit staff complete a declaration of interests annually. The option exists for audit work to be commissioned from Lancashire County Council if there is a threat to objectivity.
	b) Engagement?	Y			The Head of Governance (CAE) will consider any threats to objectivity at the start of each audit.
	c) Functional?	Y			The council's risk management, business continuity and insurance arrangements are the responsibility of the internal audit service. Lancashire County Council are used in the instances where objectivity is threatened.

Ref	Conformance with the Standard	Y	P	N	Evidence
	d) Organisation?	Y			Internal Audit has limited responsibilities outside audit responsibilities, thus protecting its independence and objectivity.
	<i>1110 Organisational Independence</i>				
	Does the CAE report to an organisational level equal or higher to the corporate management team?	Y			The CAE reports directly to the Head of Finance (Section 151 Officer) who attends the Corporate Management Team meetings.
LGAN	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	Y			The CAE reports directly to the Head of Finance (Section 151 Officer) who attends the Corporate Management Team meetings
LGAN	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	Y			The audit work programme includes an opportunity for the CAE to meet with the Audit Committee in private.
LGAN	Does the CAE's position in the management structure:				
	a) Reflect the influence he or she has on the control environment?	Y			The CAE is one of 9 Heads of Service who together with the 4 members of Management Team act as the council's Senior Leadership Team.
	b) Provide the CAE with sufficient status to ensure that audit	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	plans, reports and action plans are discussed effectively with the board?				
	c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	Y			
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:	Y			Documented in the Audit Charter which is presented to the Audit Committee in September annually.
	The board:				
	a) approves the internal audit charter	Y			Annually in September.
	b) approves the risk-based audit plan	Y			Annually in March.
	c) approves the internal audit budget and resource plan	Y			The audit plan is considered annually in March.
	d) receives communications from the CAE on the activity's performance (in relation to the plan, for example)	Y			The Audit Committee receives six monthly updates on risk management and progress on completion of the audit plan.
	e) approves decisions relating to the appointment and removal of			N	The appointment / dismissal of the CAE

Ref	Conformance with the Standard	Y	P	N	Evidence
	the CAE				<p>is not reflected in the council's Constitution as an elected member responsibility and falls to the Head of Finance (Section 151 Officer) who is responsible for maintaining an adequate internal audit function. Any decision, however, would be presented to the Audit Committee for noting.</p> <p>The Audit Committee work programme allows an opportunity for a private discussion with the External Auditor which would allow them to comment on the performance of the CAE, if appropriate.</p>
	f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	Y			The Audit Committee have the opportunity to question the Head of Governance (CAE) and the Head of Finance (Section 151 Officer) at the meeting when the audit plan is presented and progress reports are provided.
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	Y			The Head of Finance (Section 151 Officer), who attends Corporate Management Team meetings has regular 1-1's with the Head of Governance (CAE). The CAE's performance appraisal is completed by the Service Director Performance and

Ref	Conformance with the Standard	Y	P	N	Evidence
					Innovation. Both the Head of Finance and the Service Director are appraised by the Chief Executive. It is at these appraisals where the Head of Governance's (CAE) performance would be discussed if there were any issues.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Y			Feedback on the Head of Governance (CAE) performance is provided by the Chairman of the Audit Committee following the March meeting and prior to the annual performance appraisal taking place.
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	Y			The Head of Governance (CAE) attends a pre-audit meeting with the Chairman of the Audit Committee and also attends all Audit Committee Meetings.
	<i>1120 Individual Objectivity</i>				
	Do internal auditors have an impartial, unbiased attitude?	Y			Feedback questions sent after each audit are used to monitor the auditors approach.
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	Y			Auditors will complete annual declaration of interests.

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>Compliance with the Internal Audit Charter / Code of Ethics.</p> <p>Audit Staff are aware that they need to report any suspected conflicts of interests if they arise during an audit review. There have been no conflicts of interest recorded to date.</p>
	<i>1130 Impairment to Independence or Objectivity</i>				
	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)?	N/A	N/A	N/A	<p>There has been no impairment of independence or objectivity.</p> <p>The Head of Governance (CAE) has operational responsibility for insurance, business continuity, risk management, electoral registration, democratic services and information governance. Assurance is sought from Lancashire County Council in respect of these services operating effectively.</p>
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	N/A	N/A	N/A	
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these	Y			<p>The Head of Governance (CAE) has operational responsibility for insurance, business continuity, risk management,</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	engagements been overseen by someone outside of the internal audit activity?				electoral registration, democratic services and information governance. Assurance is sought from Lancashire County Council in respect of these services operating effectively.
LGAN	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?			N	Due to the size of the audit team this is not achievable. However the use of Lancashire County Council allows the rotation of audits where appropriate.
LGAN	Have internal auditors declared interests in accordance with organisational requirements?	Y			The Audit and Risk Management Section all complete an annual declaration of interests. Staff are provided with the Internal Audit Charter / Code of Ethics. Both documents are also on the intranet.
LGAN	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?	Y			There have been no declarations of gifts and hospitality received in 2016/17. Audit staff are reminded annually of the council's procedures in respect of receiving gifts and hospitality.
LGAN	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	Y			There have been no instances where an auditor has used information obtained during the course of duties for personal gain.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	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?	Y			See declaration of interest.
LGAN	Have internal auditors complied with the Bribery Act 2010?	Y			Audit staff have been supplied with a copy of the Bribery Act and the key principles have been embedded into the council's Counter Fraud, Corruption and Bribery Policy which is reviewed annually.
	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?	N/A	N/A	N/A	The council's Internal Audit Team do not undertake any consultancy work.
	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?	N/A	N/A	N/A	The council's Internal Audit Team does not undertake any consultancy work, however the Head of Governance (CAE) is providing interim cover for the vacant CAE role at Lancaster City Council from May 2017 for a period of 12 months, subject to review, amounting to approximately 55 days.
3.3	1200 Proficiency and Due Professional Care				
	<i>1210 Proficiency</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	Y			The Head of Governance (CAE) is a fully Certified Chartered Auditor (CIA). She also holds a Qualification in Internal Audit Leadership (QIAL).
	Is the CAE suitably experienced?	Y			16 years' experience in internal audit including County Council, 2 District Councils, experience in auditing the Police and Fire Authority, schools and residential establishments.
LGAN	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	Y			The Head of Governance (CAE) has been fully trained on the council's recruitment and selection procedures.
LGAN	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?	Y			Last updated in January 2017 when the role of Senior Information Risk Owner (SIRO) was added to the Head of Governance (CAE) responsibilities.
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	Y			The Senior Auditor is PIIA qualified and satisfies the required competencies for the role. All staff at Lancashire County Council are either fully MIIA or CIPFA qualified.
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its	N/A	N/A	N/A	The Head of Governance (CAE) and Senior Auditor have the necessary

Ref	Conformance with the Standard	Y	P	N	Evidence
	responsibilities, does the CAE obtain competent advice and assistance?				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 organisation would be contacted.
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Y			The use of TIS online and GRACE risk matrices help assist in evaluating the risk of fraud. The knowledge and expertise of the in-house Benefit Fraud Team is available if required. Both the Head of Governance (CAE) and the Senior Auditor have attended an external course in respect of conducting internal investigations.
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	Y			The council uses the expertise of Lancashire County Council auditors where appropriate.
	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?	Y			Although the Internal Audit function do not have any CAAT software, arrangements are in place to utilise Lancashire County CAAT software if the need arises.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>1220 Due Professional Care</i>				
	Do internal auditors exercise due professional care by considering the:				
	a) Extent of work needed to achieve the engagement's objectives?	Y			The Senior Auditor will discuss and agree the scope, objectives and risks at the start of each audit with the client.
	b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?	Y			The audit plan considers time, cost, complexity and the assurances it requires from each audit.
	c) Adequacy and effectiveness of governance, risk management and control processes?	Y			<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 several CIPFA publications which assist with the consideration of audit, governance and risk. Namely;</p> <ul style="list-style-type: none"> • CIPFA – Delivering Good

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>Governance in Local Government</p> <ul style="list-style-type: none"> • PSIAS – Local Government Application Note for the UK Public Sector; and • Audit Commission – Protecting the Public Purse
	d) Probability of significant errors, fraud, or non-compliance?	Y			<p>At the start of the audit, the auditor will have a set up meeting with the auditee to discuss potential risks. If any further risks, fraud etc. are highlighted during the audit, the scope would be amended to include the work required.</p> <p>The Auditor will also be alert to any non-compliance issues raised by officers.</p>
	e) Cost of assurance in relation to potential benefits?	Y			<p>All work is risk based. If additional work is required, the Senior Auditor will agree this with the Head of Governance (CAE) subject to a cost/benefit analysis being undertaken.</p>
	Do internal auditors exercise due professional care during a consulting engagement by considering the:				
	a) Needs and expectations of clients, including the nature, timing	N/A	N/A	N/A	There are no such engagements

Ref	Conformance with the Standard	Y	P	N	Evidence
	and communication of engagement results?				undertaken presently.
	b) Relative complexity and extent of work needed to achieve the engagement's objectives?	N/A	N/A	N/A	
	c) Cost of the consulting engagement in relation to potential benefits?	N/A	N/A	N/A	
	<i>1230 Continuing Professional Development</i>				
LGAN	Has the CAE defined the skills and competencies for each level of auditor?	Y			The council establishment has one level of auditor at Grade 8 with the support of the Head of Governance (CAE). A further 70 days are outsourced to Lancashire County Council.
LGAN	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	Y			Each audit report is reviewed by the Head of Governance (CAE) to ensure the audit has been conducted in accordance with professional standards and requirements of any auditing publications. The skills and competencies of the Senior Auditor are annually reviewed as part of the council's performance appraisal scheme. It is understood that all Lancashire County Council auditors

Ref	Conformance with the Standard	Y	P	N	Evidence
					also have performance appraisals where their skills and competencies are assessed.
	Do internal auditors undertake a programme of continuing professional development?	Y			Both the Head of Governance (CAE) and the Senior Auditor undertake CPD in accordance with their professional qualification requirements.
	Do internal auditors maintain a record of their professional development and training activities?	Y			HR maintains a list of all courses that have been attended by Audit staff.
3.4	1300 Quality Assurance and Improvement Programme				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	Y			The QAIP includes both internal; and external assessments. The internal assessments include the following;
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	Y			<ul style="list-style-type: none"> • An annual self-assessment of the effectiveness of the audit service using the PSIAS; • Feedback on the Head of Governance (CAE) is sought annually prior to their performance appraisal; • 6 monthly monitoring of the internal audit activity to the Audit Committee; and

Ref	Conformance with the Standard	Y	P	N	Evidence
					<ul style="list-style-type: none"> • Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the Sections Audit Charter and also in the PSIAS. <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.
	Does the CAE maintain the QAIP?	Y			All aspects of the programme are routinely monitored.

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	Y			The review is conducted by the Head of Governance (CAE) and scrutinised by the Head of Finance (S151 Officer).
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?	Y			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 review will take place in March 2018. The External Auditor (KPMG) 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.
	<i>1311 Internal Assessments</i>				
LGAN	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Y			Whilst this is limited due to the size of the audit team, Lancashire County Council will be used if CAAT software is required.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do internal assessments include ongoing monitoring of the internal audit activity, such as:				
	a) Routine quality monitoring processes?	Y			<p>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.</p> <p>An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years.</p>
	b) Periodic assessments for evaluating conformance with the PSIAS?	Y			<p>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 will take place in March 2018.</p>
LGAN	Does ongoing performance monitoring include comprehensive performance targets?	Y			<p>The Senior Auditor is set targets / objectives annually as part of the performance appraisal scheme. Performance against these targets/objectives is monitored regularly.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					<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>In addition, ad-hoc benchmarking is conducted with the other Lancashire Internal Audit services. The use of external providers (Lancashire County Council) also assists with benchmarking the quality of internal audit reports.</p>
LGAN	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Y			The SLA between Lancashire County Council and Wyre Council includes performance targets and timescales.
LGAN	Does the CAE measure, monitor and report on progress against these targets?	Y			Work is monitored quarterly in respect of audit work with Lancashire County Council. The Wyre audit plan is monitored day-to-day with a report being considered by Audit Committee every six months.
LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	Y			An electronic feedback questionnaire is sent to the client at the end of each audit review. Any areas of concern are

Ref	Conformance with the Standard	Y	P	N	Evidence
					followed up by the Head of Governance (CAE).
	<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>	Y			<p>The periodic self-assessment is undertaken by the Head of Governance (CAE) and reviewed by the Head of Finance (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 will take place in March 2018.</p>
LGAN	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	Y			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.
	<i>1312 External Assessments</i>				
	Has an external assessment been carried out, or is planned to be	Y			The external assessment is to be completed in March 2018.

Ref	Conformance with the Standard	Y	P	N	Evidence
	carried out, at least once every five years?				
LGAN	Has the CAE considered the pros and cons for the different types of external assessment (ie 'full' or self-assessment plus 'independent validation')?	Y			<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 will be carried out by the Head of Governance (CAE), scrutinised by the Head of Finance (Section 151 Officer) and presented to the Audit Committee. Wyre's first external assessment will be in March 2018. It should be noted that the Council's External Auditor who attends each Audit Committee will receive the self-assessment as part of the agenda and will therefore have the opportunity to challenge the content.</p>
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	Y			<p>The Audit Committee agree that an external self-assessment will be carried out by the Head of Governance (CAE), scrutinised by the Head of Finance (Section 151 Officer) and presented to the Audit Committee and that every 5 years the review will be independently</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					validated by a peer review. Wyre's assessment will be in March 2018. 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.
LGAN	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?	Y			These requirements form the basis of the 'Memorandum of Understanding'.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	Y			
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity c) sector (ie the public sector) d) industry (ie local government), and e) technical experience.				

Ref	Conformance with the Standard	Y	P	N	Evidence
	Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.				
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	Y			
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This 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.			N	
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>				
	Has the CAE reported the results of the QAIP to senior management and the board?	Y			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 Head of Finance (Section 151 Officer) and presented to the Audit Committee.
	Note that:				
	a) the results of both external and periodic internal assessment	Y			The internal assessment is reported to

Ref	Conformance with the Standard	Y	P	N	Evidence
	must be communicated upon completion				<p>Audit Committee annually in May. The External Assessment will take place in March 2018.</p> <p>The last peer review was completed in 2009 and the results were presented to the Audit Committee.</p>
	b) the results of ongoing monitoring must be communicated at least annually	Y			<p>An update on the progress made in respect of the actions highlighted as a result of the last review was communicated to the Audit Committee.</p> <p>Both the Internal Audit Annual Report and the Internal Audit Charter refer to the QAIP and its ongoing monitoring.</p>
	c) 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.	Y			Conformance with PSIAS is documented.
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	Y			The QAIP is reported in the annual report. No gaps have been highlighted following the assessment of the internal audit service that need reporting in the internal audit annual report or the Annual Governance Statement for 2016/17.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	Y			The self-assessment is reviewed by the Head of Finance (Section 151 Officer) and reported to the Audit Committee.
	<i>1322 Disclosure of Non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	N/A	N/A	N/A	There are no instances of non-conformance with the PSIAS.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	N/A	N/A	N/A	There are no significant deviations that require reporting in the AGS.
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	Y			This is demonstrated by achievement of the audit plan, the annual audit report, the annual governance statement and also feedback from clients.
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	Y			It can be demonstrated through a number of documents, namely;

Ref	Conformance with the Standard	Y	P	N	Evidence
					<ul style="list-style-type: none"> • Audit plan • Audit Charter / Code of Ethics • Audit Reports / working papers • Client Feedback • Annual audit report • Annual Governance Statement
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	Y			The Senior Auditor has been provided with the Audit Charter / Code of Ethics. Conformance to these ethics will also be monitored through the performance appraisal scheme.
	Does the internal audit activity add value to the organisation and its stakeholders by				
	a) Providing objective and relevant assurance?	Y			Internal audit reports provide objective and relevant assurance. If control weaknesses are identified, action plans are put in place to facilitate improvement.
	b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control	Y			Every audit review will give consideration to these areas. Action plans / risk registers will be formulated if

Ref	Conformance with the Standard	Y	P	N	Evidence
	processes?				weaknesses are identified or improvements are required.
	<i>2010 Planning</i>				
	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?	Y			The audit plan is formulated following discussions with Senior Managers, consideration of the council's business plan and strategic risk registers. Operational risk registers are also reviewed.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	Y			The audit plan is formulated taking into consideration the areas on which the Head of Governance (CAE) is required to provide assurance in the annual audit report.
	Does the risk-based plan take into account the organisation's assurance framework?	Y			The audit plan considers the council's risk registers, business plan, priority projects / objectives and also any emerging threats, opportunities for fraud etc.
	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:				
	a) How the internal audit service will be delivered?	Y			Documented in the Audit Charter / Code

Ref	Conformance with the Standard	Y	P	N	Evidence
					of Ethics.
	b) How the internal audit service will be developed in accordance with the internal audit charter?	Y			<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>
	c) How the internal audit service links to organisational objectives and priorities?	Y			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.
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	Y			<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</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>opportunity to comment on the work in the plan and discuss emerging risks either locally or nationally.</p> <p>The terms of reference for each audit will identify and address individual risks, be it locally or nationally. The terms of reference for each audit are published on the council intranet.</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?	Y			Both strategic and operational risks are considered when developing the audit plan.
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	N/A	N/A	N/A	
LGAN	Does the risk-based plan set out the:				
	a) Audit work to be carried out?	Y			The audit plan lists the nature of the audit work.
	b) Respective priorities of those pieces of audit work?	Y			The plan itself does not list the priority of the work to be completed, however at the start of the year the audits will be prioritised and a start date will be agreed between the Head of Governance (CAE),

Ref	Conformance with the Standard	Y	P	N	Evidence
					Senior Auditor and the Head of Service.
	c) Estimated resources needed for the work?	Y			This is documented in the audit plan.
LGAN	Does the risk-based plan differentiate between audit and other types of work?	Y			The audit plan is separated into sections, i.e. IT audits, financial systems work, routine monitoring, operational audits, business plan work and other areas of work including risk management, counter fraud and information governance.
LGAN	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	Y			A contingency / investigation resource is set aside. The plan is regularly monitored and flexed if required.
	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?	Y			The plan is flexible. If any new risks emerge during the year or new systems are implemented the contingency will be used initially. If this resource has already been used it may be that some work on the audit plan may slip to the next year. Any changes or deviation from the audit plan will be reported to the audit committee.
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	Y			The process that is undertaken to formulate the audit plan is an annual risk assessment.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	Y			The risk assessment is completed annually and reviewed half yearly.
LGAN	In developing the risk-based plan, has the CAE also considered the following:				
	a) Any declarations of interest (for the avoidance for conflicts of interest)?	Y			Audit staff complete an annual declaration of interest. There have been no conflicts of interests recorded in 2016/17.
	b) The requirement to use specialists, eg IT or contract and procurement auditors?	N/A	N/A	N/A	The Senior Auditor has 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 organisation would be contacted.
	c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?	Y			A contingency / investigation resource is set aside.
	d) 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?	Y			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 Head of Governance (CAE) activities is listed separately on the audit plan.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Is the input of senior management and the board considered in the risk assessment process?	Y			Senior Management input is requested when drafting the audit plan. It is then submitted to the Audit Committee and which point their input is also requested.
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	Y			<p>The annual audit report is scrutinised by the Head of Finance (Section 151 Officer) and is also presented to the Audit Committee for consideration. The document would be amended accordingly, recognising comments made, recommendations, changes etc.</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>
	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?	Y			It is hoped that shared good practice will take place between the two organisations in relation to risk management, internal control and information governance.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Are consulting engagements that have been accepted included in the risk-based plan?	Y			The risk based plan has been amended to make provision for the 55 days that the Head of Governance (CAE) will spend on-site at Lancaster City Council. Lancashire County Council will be used to back-fill any work.
	<i>2020 Communication and Approval</i>				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	Y			The draft audit plan is submitted to the Audit Committee in March for approval. Once approved the Senior Leadership Team is notified of work in their areas.
	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?	Y			A six monthly update is provided for the Audit Committee which includes any deviations from the audit plan.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	Y			Resource limitations would be reported to senior management and the Audit Committee where appropriate as part of the update report.
	<i>2030 Resource Management</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 are only presented with the audit plan showing the total number of audit days committed and the number of days in which each piece of work will be completed. They are aware of the size of the audit section and have the opportunity to challenge the plan if they feel there is insufficient coverage. Benchmarking was carried out in 2016 with neighbouring authorities to ensure that the number of audit days / staff is consistent with other similar sized authorities. The External Auditors are also comfortable with the internal audit resource available.
LGAN	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time?	Y			At the start of the audit year the Senior Auditor will agree timings with each Head of Service.
LGAN	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? This may include an imbalance between the work plan and resource availability and/or other significant matters that	Y			There is an opportunity for the Head of Governance (CAE) to comment on sufficiency of resources where appropriate; although it is considered that the resource available is currently sufficient to deliver the audit plan. The

Ref	Conformance with the Standard	Y	P	N	Evidence
	jeopardise the delivery of the plan or require it to be changed.				team is small; however this is supported by a partnership with Lancashire County Council (LCC) to provide a further 70 days. In addition the SLA for LCC does have a contingency to cover for absence of key audit staff.
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Y			Standardised working papers and a reporting format has been developed. The council's intranet (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. The Senior Auditor has been issued with the PSIAS and CIPFA's Application Note.
LGAN	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Y			Internal audit policies and procedures have been reviewed to ensure conformity to PSIAS.
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Y			Annually reviewed.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>2050 Coordination</i>				
	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Y			Other streams of assurance such as external inspections are considered, e.g. RIPA, Taxi Licencing and Food Safety.
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	Y			Basic assurance mapping has been carried out by the Senior Auditor to identify sources of assurance which is documented on a spreadsheet and regularly updated.
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	Y			Quarterly 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.
LGAN	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	Y			Both internal and external audit plans are shared and communicated publically at Audit Committee. Quarterly meetings are held with the External Auditor and the Head of Finance (S151 Officer) to discuss the progress made in implementing the audit

Ref	Conformance with the Standard	Y	P	N	Evidence
					plan.
	<i>2060 Reporting to Senior Management and the Board</i>				
	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?	Y			<p>The Head of Governance (CAE) will update the Head of Finance (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. The Audit Committee receives internal audit's Audit Charter / Code of Ethics annually which covers its purpose, authority and responsibility.</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?	Y			<p>Significant risk exposures are documented via the risk registers. Governance issues are considered along with the annual agreement of the AGS. Gifts and hospitality registers are also reviewed by Audit Committee and the Monitoring Officer.</p>
	Is the frequency and content of such reporting determined in	Y			An agreed work programme is in place

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?				documenting when reports are submitted to Audit Committee. Where actions are considered to be important or urgent, more regular update reports are requested by Audit Committee and the relevant officer is invited to attend committee.
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				
	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?	Y			Documented within the SLA between Lancashire County Council and Wyre Council.
4.2	2100 Nature of Work				
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	Y			The audit plan is formulated to ensure it contributes to the improvement of the organisations 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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	Y			Similar working formats, working papers and reports are used by Lancashire County Council thereby contributing to improvement.
	<i>2110 Governance</i>				
	Does the internal audit activity:				
	a) Promote appropriate ethics and values within the organisation?	Y			All reported concerns are followed up e.g. members exerting influence. In 2010 ethical governance surveys were conducted to promote behaviours and values and identify gaps in knowledge and understanding. The next survey is scheduled for summer 2017.
	b) Ensure effective organisational performance management and accountability?	Y			Managers are held accountable for actions in audit reports and findings from previous audit reports are followed up by the audit team. Performance management is scheduled in the audit plan bi-annually. The Transformation Team monitor the performance of key projects within the business plan and report regularly to the

Ref	Conformance with the Standard	Y	P	N	Evidence
					Overview and Scrutiny Committee.
	c) Communicate risk and control information to appropriate areas of the organisation?	Y			<p>Regular risk workshops take place with Heads of Service and the risk registers are on BRIAN for all staff to view.</p> <p>Audit reports are issued to the staff responsible for the area being audited.</p> <p>The Audit Committee and the Executive 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>
	d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	Y			<p>All audit reports are issued to clients and published on the Intranet and available for all staff / members to view.</p> <p>External Auditor communication is presented to Audit Committee.</p> <p>Regular updates are presented to council on the work of Audit Committee</p>
	Does the internal audit activity assess and make appropriate	Y			Governance issues will be reviewed as part of the audit as is risk management,

Ref	Conformance with the Standard	Y	P	N	Evidence
	recommendations for improving the governance process as part of accomplishing the above objectives?				health and safety and performance management.
	Has the internal audit activity evaluated the:				
	a) design	Y			The ethical governance survey aims to test knowledge on key policies and procedures and identify gaps allowing targeted future training.
	b) implementation, and	Y			
	c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	Y			
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	Y			There is set number of days in the audit plan to cover IT governance if required. Lancashire Council Council attend the IT network group on behalf of the council and will inform us of any new developments, potential risk areas or audits that would be beneficial to improve the IT control environment.
LGAN	Has the CAE considered the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation when developing the risk-based plan?	Y			The number of IT audit days can be adjusted accordingly. The ethical governance survey is included in the 2017/18 work programme and additional ethics related work will

Ref	Conformance with the Standard	Y	P	N	Evidence
					follow if appropriate.
	<i>2120 Risk Management</i>				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:				
	a) Organisational objectives support and align with the organisation's mission?	Y			Documented in the business plan.
	b) Significant risks are identified and assessed?	Y			The business plan / service plans are used to identify and assess significant risks that would prevent the organisation from meeting its organisational objectives.
	c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?	Y			Risks above the council's risk appetite are required to have actions to mitigate the risks. Risks below the appetite are regularly monitored.
	d) 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?	Y			Strategic risks are reported to the Corporate Management Team, The Executive and the Audit Committee every six months.
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems				

Ref	Conformance with the Standard	Y	P	N	Evidence
	regarding the:				
	a) Achievement of the organisation's strategic objectives?	Y			Considered at the strategic risk workshop when reviewing the business plan.
	b) Reliability and integrity of financial and operational information?	Y			Financial and operational information is tested for reliability and integrity as part of individual audits.
	c) Effectiveness and efficiency of operations and programmes?	Y			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.
	d) Safeguarding of assets?	Y			Discussions take place at both strategic and operational risk workshops regarding safeguarding the council's assets and also considered as part of individual audits.
	e) Compliance with laws, regulations, policies, procedures and contracts?	Y			Discussions take place at both strategic and operational risk workshops regarding compliance to law, regulations, policies, procedures and contracts. Also considered as part of individual audits.
	Has the internal audit activity evaluated the potential for fraud	Y			Fraud risks are considered during the

Ref	Conformance with the Standard	Y	P	N	Evidence
	and also how the organisation itself manages fraud risk?				<p>operational and strategic risk workshops.</p> <p>The council takes part in the NFI process.</p> <p>The Head of Governance (CAE) regularly tests compliance to the council's counter fraud policies.</p> <p>Information concerning potential fraudulent activity is shared (National reports and Lancashire Audit Group).</p> <p>There is a new compliance team within the contact centre that will 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>
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	N/A	N/A	N/A	There are no such engagements undertaken presently.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?	Y			The Audit and Risk Management Section only facilitate the process and hold and maintain the risk registers. Risk owners are assigned for each risk identified and they are responsible for ensuring that risk is managed during the year.
	<i>2130 Control</i>				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:				
	a) Achievement of the organisation's strategic objectives?	Y			These areas are covered as part of the audit planning process.
	b) Reliability and integrity of financial and operational information?	Y			Audits of key financial systems are conducted every 2 years unless there is any major changes to controls.
	c) Effectiveness and efficiency of operations and programmes?	Y			Strategic objectives / projects are risk managed at Head of Service level.
	d) Safeguarding of assets?	Y			Feedback from the Insurance Officer is used to evaluate adequacy of the safeguarding of council assets.
	e) Compliance with laws, regulations, policies, procedures and contracts?	Y			Compliance with laws, regulation,

Ref	Conformance with the Standard	Y	P	N	Evidence
					polices, procedures and contracts are considered in each audit review.
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	N/A	N/A	N/A	There are no such engagements undertaken presently.
4.3	2200 Engagement Planning				
	Do internal auditors develop and document a plan for each engagement?	Y			A terms of reference document is developed and agreed for each audit review. This is held on the council's intranet.
	Does the engagement plan include the engagement's:				
	a) Objectives?	Y			Each of these criteria are documented in the terms of reference.
	b) Scope?	Y			
	c) Timing?	Y			
	d) Resource allocations?	Y			
	Do internal auditors consider the following in planning an engagement, and is this documented:				

Ref	Conformance with the Standard	Y	P	N	Evidence
	a) The objectives of the activity being reviewed?	Y			Each of these criteria are either documented in the terms of reference or the lead schedules.
	b) The means by which the activity controls its performance?	Y			
	c) The significant risks to the activity being audited?	Y			
	d) The activity's resources?	Y			
	e) The activity's operations?	Y			
	f) The means by which the potential impact of risk is kept to an acceptable level?	Y			
	g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?	Y			
	h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?	Y			
	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:				

Ref	Conformance with the Standard	Y	P	N	Evidence
	a) Objectives?	N/A	N/A	N/A	There are no audits performed for parties outside of the organisation.
	b) Scope?	N/A	N/A	N/A	
	c) 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)?	N/A	N/A	N/A	
	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:				
	a) Objectives?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	b) Scope?	N/A	N/A	N/A	
	c) The respective responsibilities of the internal auditors and the client and other client expectations?	N/A	N/A	N/A	
	For significant consulting engagements, has this understanding been documented?	N/A	N/A	N/A	
	<i>2210 Engagement Objectives</i>				
	Have objectives been agreed for each engagement?	Y			Documented in the terms of reference.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	Y			This is completed whilst formulating the terms of reference. 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.
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	Y			The terms of reference document identifies the core risk and the objective.
	Have internal auditors considered the probability of the following, when developing the engagement objectives:				
	a) Significant errors?	Y			The preliminary risk assessment will ensure each of these are covered.
	b) Fraud?	Y			
	c) Non-compliance?	Y			
	d) Any other risks?	Y			
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	Y			The terms of reference are shared with Audit Committee members allowing such an evaluation to be undertaken when the audit report is published.
	If the criteria have been deemed adequate, have the internal	Y			A control matrix is used to evidence that all risks identified have been tested and

Ref	Conformance with the Standard	Y	P	N	Evidence
	auditors used the criteria in their evaluation of governance, risk management and controls?				that adequate controls are in place.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	N/A	N/A	N/A	There are no instances where the criteria have been deemed inadequate.
LGAN	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets?	Y			The 'value for money' aspect of any service / control is considered during each review. If there has been any work on VFM this will be documented within the report.
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	Y			The job description for the interim CAE sets out the requirements of the role; in particular around governance, risk management and internal control.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	Y			In addition the job description refers to compliance with the PSIAS which both organisations comply with.
	<i>2220 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to	Y			Agreed at the start of the audit. If during the audit the scope has to be extended

Ref	Conformance with the Standard	Y	P	N	Evidence
	satisfy the engagement's objectives?				to ensure the objectives of the audit are met, this is agreed with the Head of Governance (CAE) as it is likely to have resource implications.
	Does the engagement scope include consideration of the following relevant areas of the organisation:				
	a) Systems?	Y			The terms of reference document identified the systems, records, premises and personnel the auditor will require access to.
	b) Records?	Y			
	c) Personnel?	Y			
	d) Premises?	Y			
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate:				
	a) Systems?	Y			Audit plan for 2016/17 includes a review of YMCA.
	b) Records?	Y			
	c) Personnel?	Y			
	d) Premises?	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?	N/A	N/A	N/A	There have been no such consulting opportunities that have arisen during an assurance engagement.
	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?	N/A	N/A	N/A	
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	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?	N/A	N/A	N/A	
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	N/A	N/A	N/A	
	During consulting engagements, were internal auditors alert to any significant control issues?	N/A	N/A	N/A	There are no such engagements undertaken presently.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>2230 Engagement Resource Allocation</i>				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on:				
	a) The nature and complexity of each individual engagement?	Y			This is agreed when formulating the annual audit plan. The Head of Governance (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.
	b) Any time constraints?	Y			
	c) The resources available?	Y			
	<i>2240 Engagement Work Programme</i>				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	Y			The auditor will plan the work required to meet the objectives of the audit. Standard templates are in place for this purpose.
	Do the engagement work programmes include the following procedures for:				
	a) Identifying information?	Y			Lead schedules and test schedules will document the objective, the information required, the testing completed, the
	b) Analysing information?	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) Evaluating information?	Y			findings and the overall conclusions and recommendations.
	d) Documenting information?	Y			
	Were work programmes approved prior to implementation for each engagement?	Y			After the Audit Committee have approved the annual audit plan for the forthcoming year, the Senior Auditor will agree the work programme for each quarter with the Head of Governance (CAE).
	Were any adjustments required to work programmes approved promptly?	Y			Occasionally, work programmes are adjusted to take into consideration urgent work or investigations
4.4	2300 Performing the Engagement				
	Have internal auditors carried out the following in order to achieve each engagement's objectives:				
	a) Identify sufficient information?	Y			Checks are made during a full audit review by the Head of Governance (CAE) that the objectives of the audit have been achieved and that there is sufficient evidence to support any findings, conclusions and the overall
	b) Analyse sufficient information?	Y			
	c) Evaluate sufficient information?	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	d) Document sufficient information?	Y			opinion. Review notes are provided to the Senior Auditor after each review if further work is required or certain areas require clarification.
	<i>2310 Identifying Information</i>				
	Have internal auditors identified the following in order to achieve each engagement's objectives:				
	a) Sufficient information?	Y			Review notes will show if further information is required to support findings or if evidence is not relevant or reliable.
	b) Reliable information?	Y			
	c) Relevant information?	Y			
	d) Useful information?	Y			
	<i>2320 Analysis and Evaluation</i>				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	Y			Confirmed by the Head of Governance (CAE) for each audit performed by the Senior Auditor.
LGAN	Have internal auditors remained alert to the possibility of the				

Ref	Conformance with the Standard	Y	P	N	Evidence
	following:				
	a) intentional wrongdoing	Y			The key risks around these areas are identified at the start of the audit. The Senior Auditor is experienced in the areas she is required to audit throughout the council and remains alert to any weaknesses / control failings.
	b) errors and omissions	Y			
	c) poor value for money	Y			
	d) failure to comply with management policy, and	Y			
	e) conflicts of interest	Y			
	when performing their individual audits, and has this been documented?	Y			Documented in standardised working papers.
	<i>2330 Documenting Information</i>				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	Y			Standardised reports are used to document conclusions and findings along with a management action plan.
LGAN	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?	Y			A file review is conducted by the Head of Governance (CAE) to ensure working papers are referenced correctly and the file contains sufficient evidence to support any findings and the overall opinion.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the CAE control access to engagement records?	Y			Access rights are documented in the Audit Charter. The audit reports state that the working papers can be viewed on request.
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	N/A	N/A	N/A	Audit files have not been released to external parties other than the council's External Auditor; KPMG.
	Has the CAE developed and implemented retention requirements for all types of engagement records?	Y			Information Asset Registers document the required retention periods for all audit records.
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	Y			Retention periods are consistent with organisational and regularity guidelines. At present audit files are retained for 7 years (6 plus current) in accordance with the Government Classification Scheme.
	<i>2340 Engagement Supervision</i>				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	Y			File reviews, feedback and performance appraisals are used to ensure that training or development issues are highlighted.
	Is appropriate evidence of supervision documented and retained for each engagement?	Y			File reviews and performance appraisal documents are retained evidencing supervision.

Ref	Conformance with the Standard	Y	P	N	Evidence
4.5	2400 Communicating Results				
	Do internal auditors communicate the results of engagements?	Y			Audit reports are issued as appropriate to Service Directors, Heads of Service, key operational staff with the Audit Committee and the External Auditor reviewing all audit reports.
	<i>2410 Criteria for Communicating</i>				
	Do the communications of engagement results include the following:				
	a) The engagement's objectives?	Y			A standardised report format is used ensuring that each of the criteria is communicated.
	b) The scope of the engagement?	Y			
	c) Applicable conclusions?	Y			
	d) Recommendations and action plans, if appropriate?	Y			
LGAN	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	Y			A closure meeting is arranged with the relevant officers to agree factual accuracy, findings and agree actions.
LGAN	If recommendations and an action plan have been included, are	Y			Wyre recommendations are given a

Ref	Conformance with the Standard	Y	P	N	Evidence
	recommendations prioritised according to risk?				<p>priority risk rating of 1 to 5. Level 1 recommendations require immediate action and level 5 recommendations have no set timescales and include suggestions for improvements / efficiencies in service delivery.</p> <p>Lancashire County Council recommendations are prioritised as high, medium or low and appropriate timescales can be agreed with the auditor.</p>
LGAN	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	Y			The action plan identified the management response and timescales for action.
LGAN	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?	Y			The management response would only identify areas of disagreement where appropriate.
LGAN	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, subject to confidentiality	Y			Evidence is disclosed in support of the audit conclusion subject to confidentiality requirements.

Ref	Conformance with the Standard	Y	P	N	Evidence
	requirements?				
LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	Y			The internal auditor's opinion and conclusions are clearly visible.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	Y			Closure meetings are held with clients and audit reports are scrutinised by the Head of Finance (Section 151 Officer) and reported to the Audit Committee.
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	Y			Confirmed by the Head of Governance (CAE) who reviews all audit files.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	Y			Satisfactory performance would be reflected in the overall conclusion issued.
	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?	Y			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.
LGAN	If the CAE has been required to provide assurance to other	N/A	N/A	N/A	Internal Audit have not been asked to provide assurance to any partnership

Ref	Conformance with the Standard	Y	P	N	Evidence
	partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services?				organisations.
	<i>2420 Quality of Communications</i>				
	Are communications:				
	a) Accurate?	Y			All documents are reviewed by the Head of Governance (CAE). Review notes are provided to correct any work that does not meet quality standards.
	b) Objective?	Y			
	c) Clear?	Y			Closure meetings are also used to agree factual accuracy of the report and findings.
	d) Concise?	Y			
	e) Constructive?	Y			Feedback is used to ensure auditees are happy with how the audit was conducted.
	f) Complete?	Y			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.
	g) Timely?	Y			The timeliness of reports is monitored

Ref	Conformance with the Standard	Y	P	N	Evidence
					and reported to Audit Committee.
	<i>2421 Errors and Omissions</i>				
	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?	Y			The closure meeting is designed to identify and resolve any significant errors or omissions, however the report would be re-issued where necessary.
	<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Do internal auditors report that engagements are ' <i>conducted in conformance with the PSIAS</i> ' only if the results of the QAIP support such a statement?	Y			Reported as part of the internal audit report annually in May.
	<i>2431 Engagement Disclosure of Nonconformance</i>				
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:				
	a) 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?	N/A	N/A	N/A	No specific engagements have been impacted on by non-compliance with the PSIAS.
	b) The reason(s) for non-conformance?	N/A	N/A	N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) The impact of non-conformance on the engagement and the engagement results?	N/A	N/A	N/A	
	<i>2440 Disseminating Results</i>				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	Y			Reporting arrangements are documented within the Audit Charter.
	Has the CAE communicated engagement results to all appropriate parties?	Y			Audit reports are issued as appropriate to Service Directors, Heads of Service, key operational staff with the Audit Committee and the External Auditor receiving all audit reports.
	Before releasing engagement results to parties outside the organisation, did the CAE:				
	a) Assess the potential risk to the organisation?	N/A	N/A	N/A	Engagement results have not been released to parties outside the organisation other than the council's External Auditors; KPMG.
	b) Consult with senior management and/or legal counsel as appropriate?	N/A	N/A	N/A	
	c) Control dissemination by restricting the use of the results?	N/A	N/A	N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	Y			Presented to Audit Committee in May.
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	Y			See report presented to Audit Committee in May.
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	Y			The annual audit report is scrutinised by the Head of Finance (Section 151 Officer) and presented to Audit Committee for consideration.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	Y			See report presented to Audit Committee in May.
	Does the communication identify the following:				
	a) The scope of the opinion, including the time period to which the opinion relates?	Y			All areas documented in the Annual Audit report.

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Any scope limitations?	Y			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.
	c) The consideration of all related projects including the reliance on other assurance providers?	Y			
	d) The risk or control framework or other criteria used as a basis for the overall opinion?	Y			
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	N/A	N/A	N/A	Where a qualified or unfavourable opinion was given this would be fully explained in the annual audit report.
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	Y			See annual governance statement and section entitled 'review of effectiveness'.
	Does the annual report incorporate the following:				
	a) The annual internal audit opinion?	Y			See annual audit report considered by the Audit Committee in May.
LGAN	b) A summary of the work that supports the opinion?	Y			
LGAN	c) A disclosure of any qualifications to the opinion?	N/A	N/A	N/A	
LGAN	d) The reasons for any qualifications to the opinion?	N/A	N/A	N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence
LGAN	e) A disclosure of any impairments or restriction in scope?	Y			
LGAN	f) A comparison or work actually carried out with the work planned?	Y			
	g) A statement on conformance with the PSIAS?	Y			
LN	h) The results of the QAIP?	Y			
LGAN	i) Progress against any improvement plans resulting from the QAIP?	Y			
LGAN	j) A summary of the performance of the internal audit activity against its performance measures and targets?	Y			
	k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	N/A	N/A	N/A	
4.6	2500 Monitoring Progress				
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Y			At the end of each financial year a sample of recommendations will be selected to ensure they have been implemented as intended.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?	N/A	N/A	N/A	Whilst no significant issues have arisen to date, up-to-date action plans would be provided with new actions required / dates etc. The audit opinion would not be changed until the next full review.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	Y			If there has been little progress made in implementing recommendations, it is highly likely that the audit will feature on the next years audit plan.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	N/A	N/A	N/A	There are no such engagements undertaken presently.
4.7	2600 Communicating the Acceptance of Risks				
	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?	N/A	N/A	N/A	The Head of Governance (CAE) has not concluded this to date but would refer the matter to the Head of Finance (Section 151 Officer).
	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?	N/A	N/A	N/A	The Head of Governance (CAE) has not concluded this to date but would if appropriate refer the matter to the Audit Committee.

Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	20 June 2017	8

Internal Audit Annual Report 2016/17

1. Purpose of report

1.1 To approve the Internal Audit Annual Report for 2016/17 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/s

3.1 Members are asked to note the Internal Audit Annual Report attached at Appendix 1, the Risk Management Progress Report at Appendix 2 and the Strategic Risk Management Review at Appendix 3.

4. Background

4.1 The Internal Audit Annual Report is produced in order to meet the requirements of the Public Sector Internal Audit Standards and to assist in meeting the Accounts and Audit Regulations 2015. The report provides details of audit coverage and of the work carried out by the section and contains the Chief Internal Auditor's opinion of the overall level of control in operation.

4.2 The Audit Committee's role in relation to reviewing the work carried out includes formal consideration of summaries of work done, key findings, issues of concern and actions in hand as a result of audit work. A key part of the role is receiving and reviewing regular reports from the Head of Governance (Chief Internal Auditor) in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage. The Audit Committee has a clear role in relation to the authority's internal audit function and this involves:

- Formally approving, but not directing, the overall strategy to ensure that it meets the council's overall strategic direction;
- Agreeing the annual audit plan (paying particular attention to whether there is sufficient and appropriate coverage); and
- Monitoring progress against the plan and assessing whether adequate skills and resources are available to provide an effective audit function.

5. Key issues and proposals

5.1 The Internal Audit Annual Report, Operational and Strategic Risk Management Reports are attached at Appendices 1, 2 and 3.

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
data protection	x

report author	telephone no.	email	date
Joanne Billington	01253 887372	Joanne.billington@wyre.gov.uk	06.06.2017

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

List of appendices

Appendix 1 – Internal Audit Annual Report 2016/17

Appendix 2 – Risk Management Progress Report – Operational Risks

Appendix 3 – Strategic Risk Management Review
arm/audit/cr/17/2006jb Item 8

INTERNAL AUDIT ANNUAL REPORT 2016/17

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

Members of the Audit Committee should note that copies of internal audit reports are published on the council’s intranet. Access to the supporting files is available to members of the Audit Committee on request.

Wyre Council continues to be represented on the Lancashire District Council’s Audit Group and we continue to participate in the National Fraud Initiative data sharing exercise and work closely with the Association of Local Authorities Risk Managers (ALARM) and our insurer, Zurich Municipal.

Internal Audit continues to provide the council with the necessary assurance about its various activities and associated systems, as outlined in the council’s Internal Audit Charter. The audit service’s effectiveness has also been recently reviewed using the Public Sector Internal Audit Standards.

This year (2016/17) 70 days of audit support was contracted out to both Lancashire County Council (LCC) and Mazars at a rate of £264 per day. The 70 days was split 38 / 32 retrospectively. This was supplemented by work performed by the in-house Senior Auditor. The work completed by the in-house team is benchmarked against the work carried out by LCC and Mazars to ensure that quality and standards are maintained.

Electronic internal feedback review forms are distributed after each audit review and in 2016/17 all the feedback received indicates that the work of internal audit continues to be valued with no major issues being reported.

The audit plan for 2016/17 comprised a total of 19 audit reviews, two of which (compliance with Financial Procedure Rules and PCI compliance) had been rolled from the 2015/16 financial year.

100% of the audit plan for 2016/17 will be completed within the agreed number of days and to budget. Two audits (YMCA and PCI Compliance) have been delayed due to the internal investigation that was carried out during the year by the Senior Auditor. It is expected that both reports will be issued in June 2017.

Audit Work Performed in 2016 / 2017

Summarised below are the reviews that have been performed and reports issued in 2016/17. Final reports are published in full on the Council's Intranet site.

Mazars reports

Assurance Level	Control Environment
Substantial Assurance	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
Adequate Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the organisation's objectives at risk. The level of non-compliance with some of the control processes may put some of the organisation's objectives at risk.
Limited Assurance	Weaknesses in the system of internal controls are such as to put the organisation's objectives at risk. The level of non-compliance puts the organisation's objectives at risk.
No Assurance	Controls are generally weak leaving the system open to significant abuse and/or we have been inhibited or obstructed from carrying out or work.

Recommendation Priority	Description
1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

TITLE	STATUS	RECOMMENDATIONS				Overall Assurance	Summary
		1	2	3			
Payroll and expenses	Final report issued	0	2	2	Adequate	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The council should ensure that employee bank changes that have not been processed through the self-service portal are identified by a payroll exception report. All bank changes identified should be reviewed by an independent officer to ensure they are correct; • Staff should submit completed log books for mileage claimed on a monthly basis and claim forms with receipts for all other expense claims; • All expenses should be authorised by a relevant officer prior to payment. The council should not pay expenses that have not been approved; • Management should ensure that contact centre expenses is governed by procedure, and receipts should be obtained for the expenses; and • Management should review the expenses policies and update them so they are in line with current practice. 	
Main accounting	Final report issued	0	0	3	Substantial	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The council should ensure that control account reconciliations are signed and dated as completed and reviewed within 14 days of month end; • The council should continue to investigate whether automated approval controls can be built into Civica for cost centre and chart of account additions and amendments. In the meantime, the council should implement a formal process for the approval of cost centre and chart of account codes by Senior Management prior to being processed on Civica. The approval should be clearly documented; • The council should ensure that procedure documents are reviewed by Senior Management every two to three years and updated where necessary. This review should be clearly documented; and • Each procedure document clearly outlines responsible staff members and completion timescales. 	

TITLE	STATUS	RECOMMENDATIONS				Summary
		1	2	3	Overall Assurance	
Land charges	Final report issued	0	5	1	Adequate	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The council should take into account any overestimate or underestimate in the LLC1 and CON29 unit charges for a financial year when determining the unit charges for the following financial year and clearly document the rationale behind the LLC1 and CON29 unit charges in the Portfolio Holders' report; • The council must ensure that each year, the latest financial summary is published on the Council's website in accordance with the Local Authority (Charges for Property Searches) Regulations 2008 and the unit charges listed on the Council's website for LLC searches clearly state the financial year to which they relate; • The council should ensure that the TLC system is reconciled to the BACS report on a daily basis and signed as evidence of review. Supporting evidence should be retained to support the reconciliation; • The council should ensure that the 'Basic Procedures Land Charges' document is reviewed and updated to reflect current practice; • The council should ensure that the Land Charges Officer and Clerical Assistant receive GIS training; and • The council should define a clear timescale for the amalgamation of the three systems and monitor delivery against it.

AUDIT ASSURANCE DEFINITIONS

Full Assurance	There is a sound system of internal control which is adequately designed to meet the service's objectives and is effective in that controls are being consistently applied
Substantial Assurance	There is a generally sound system of internal control, adequately designed to meet the service's objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk
No Assurance	Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.

DEFINITION OF RESIDUAL RISK

Extreme residual risk	Critical and urgent in that failure to address the risk could lead to one or more of the following occurring: catastrophic loss of the service, loss of life, significant environmental damage or huge financial loss, with related national press coverage and substantial damage to the service's reputation.	Immediate Action Required
High residual risk	Critical in that failure to address the issue or progress the work could lead to one or more of the following occurring: failure to achieve organisational objectives, disruption to the business, financial loss, fraud, inefficient use of resources, failure to comply with law or regulations, or damage to the service's reputation.	Within 3 - 6 months
Medium residual risk	Less critical, but failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management.	Within 6 -9 months
Low residual risk	Areas that individually have no major impact on achieving the service's objectives or on the work programme, but where combined with others could have an effect at the process level, which could give cause for concern	Within 9 - 12 months

TITLE	STATUS	RECOMMENDATIONS				Summary
		Extreme	High	Med	Low	
NNDR	Full assurance	0	0	0	0	No recommendations were made following this review.
Cash receipting / PARIS	Full assurance	0	0	0	0	No recommendations were made following this review.
Website management	Limited assurance	0	0	4	0	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • ICT Services should review permission groups and ensure they know what access to each permission group allows, and ensure that evidence can be provided that permission groups allocated to officers are appropriate; • ICT should ensure officers are only able to update documents and pages for a service if it is appropriate for them to be able to do so and ensure evidence of this can be provided; • Those officers with 'contribute' responsibility should be instructed to ensure that information on their intranet pages is constantly kept up to date; and • The council should appoint and instruct Web Champions or other allocated officers as responsible officers for personally ensuring that contents on their area on the internet is continuously kept up to date. An officer/ team should be designated to periodically review contents on the internet and contact these Web Champions if content is out of date.
Information governance – position statement	Follow-up review	N/A	N/A	N/A	N/A	No final report has been issued. A follow-up review was completed to identify the progress made in implementing the 16 information governance recommendations. At the time of the audit (April 2017) only 5 recommendations had been implemented fully. The remaining 11 were either in progress or due to be addressed later in the year. Progress is slow owing to the council not having a dedicated information governance resource. Due to the high level of risk, information governance will feature in the 2016/17 annual governance statement as a significant risk to the council's governance framework.

AUDIT OPINION DEFINITIONS

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 delivery 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.

DEFINITION OF PRIORITY RANKINGS

Level 1	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which could have a <u>material effect</u> on the Council's finances or, a lack of or serious weakness in key control(s) which may impact on the Council's finances or operational performance.	Immediate Action Required
Level 2	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which have a <u>minor effect</u> on the Councils finances or operational performance.	Within 3 months
Level 3	A lack of, or weakness in an internal control which does not pose an immediate high level of risk, but if left unresolved could expose the Council to financial losses or reduce operational performance.	Within 6 months
Level 4	Suggestions for improvement of internal controls of a minor nature.	Within 9 months
Level 5	Suggestions for improvements, efficiencies in service delivery.	None

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
CROWN workforce management system	Final report issued	1	3	0	0	1	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Lunch breaks are not accurately recorded by all staff when working over 6 hours; • The onsite / offsite facility is not used by all staff when leaving council buildings on council business or when moving between sites; • Leave entitlements are not accurately calculated by officers and adjusted for part-time staff in all instances; • Exceptions are not reviewed by managers and adjusted in a timely manner; and • The 'clock now' facility does not identify where an employee has clocked in.
Marine Hall – bar and kiosk stock	Final report issued	0	3	0	0	3	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Purchase orders are not raised and correctly authorised for all goods ordered; • Stock received and wastage are not accurately recorded in all instances; • Quarterly stock takes are not completed; • The council must inform TUCO should they decide to discontinue their membership; • Value for money is not achieved when purchasing stocks from local supermarkets; and • A full review of the POSWYSE access permissions is recommended to ensure these are correct.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Crown green bowling, pitch and putt and crazy golf – income and banking	Final report issued	0	1	3	0	0	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> Evidence of the public liability insurance held by each bowling club is not obtained; Accurate records of the tickets sold to customers using the hourly bowls, pitch and putt and crazy golf services are not maintained; Income received by the hourly bowls, pitch and putt and crazy golf services is not regularly banked; and Inspections of casual contracts are not consistently completed during the year.
Compliance with the council's anti-money policy and procedure	Final report issued	0	0	2	0	0	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> The updated policy and reporting procedure is not cascaded to relevant officers following the annual review; and Not all staff are aware of the AML policy and reporting procedure.
Election accounts	Final report issued	1	2	0	0	1	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> Payroll data held by the Elections Team is not destroyed following each election; The method used to work out the payments to Electoral Services staff and supervisory staff is not documented; Overtime records do not match the payments made to Electoral Services staff; and A recharge to election funding is not made for financial services staff.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Compliance with the Freedom of Information Act 2000 and Environmental Information Regulations 2004	Final report issued	1	3	3	0	0	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • No training for new staff has been completed since 2014; • Some information included in the publication scheme is out of date and a disclosure log is not included; • No information on the EIR 2004 has been published on the council website; • Personal search requests which are responded to in accordance with the EIR 2004 are not recorded on the CRM system; • Where requests are not recorded on the CRM system on the day of receipt the due date is incorrectly calculated; • Requests for information under EIR 2004 are recorded as an FOI request on the CRM system; and • Target times for the completion of an internal review have not been agreed and published.
Compliance to financial procedure rules – procurement (rolled from 15/16)	Final report issued	0	4	8	0	0	Fair	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The Procurement Strategy is not a strategic document approved by Members and the Management Team; • The Chest templates are not fully completed for all quotations / tender exercises or documentation held in the evaluation folder; • The Contract Procedure Rules do not contain any details of the methods for calculating the contract value in

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>accordance with the Public Contracts Regulations 2015;</p> <ul style="list-style-type: none"> • A system administrator has not been appointed to manage The Chest; • Data for all tenders, contracts and purchase orders over £5,000 is not published in accordance with the Transparency Code 2014; • The procurement forward plan is not up to date; • Contracts for goods, works and services valued between £10,000 to £100,000 are not procured in accordance with Contract Procedures in all instances; • Portfolio Holder exemption reports are not always completed where an exemption is used; • Tender notifications are not issued correctly in all instances; • Contracts are not signed before the contract start date; • No details of the responsibilities for the role of Procurement Champion have been issued to nominated staff; and • Additional training is needed for staff to improve their understanding of the Contract Procedure Rules.

	STATUS	RECOMMENDATIONS – PRIORITY RANKING					AUDIT OPINION	Summary
Concessionary leases	Final report issued	0	1	3	0	0	Fair	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The council does not have a concessionary policy defining the eligibility and criteria for this type of lease; • A register of concessionary leases is not maintained; • Details of the subsidy payable by the council is not recorded on the decision notice; and • Four new leases issued in 2016 had not been signed at the time of the review.
Compliance to the Equality Act 2010 and the Public Sector Equality Duty	Final report issued	0	1	6	0	1	Fair	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • There is no strategic equality policy in place and responsibility for the implementation of this has not been agreed; • The Equality Framework for Local Government is not used by the council to assess their performance against the Public Sector Equality Duty; • No corporate training for staff has been completed since 2010; • There is no documented methodology for completing an equality impact assessment; • Report authors do not document their assessments of potential equality impacts; • The guide to integrating equality and diversity into procurement was removed from the contract procedure rules; Impact assessments are not routinely published to demonstrate due regard to the general equality duty; and

	STATUS	RECOMMENDATIONS – PRIORITY RANKING					AUDIT OPINION	Summary
		0	1	3	0	0	Fair	<ul style="list-style-type: none"> The equality objectives are not SMART objectives and have not been updated in accordance with the 2017 business plan refresh
YMCA	Fieldwork in progress							The overall objective of the audit is to review the systems and procedures in place at the YMCA and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are adequate and effective.
PCI compliance	Fieldwork in progress							The overall objective of the audit is to review the controls in place around PCI compliance and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are adequate and effective.
Follow-up work from 2015/16 audit plan	N/A							<p>No final report has been issued. Assurance was provided to the Head of Governance that agreed actions within a sample of audit reports have been actioned. It is pleasing to see that 70% of agreed actions have been implemented as agreed when compared to the 61% implemented in 2014/15. The remaining 30% of unimplemented actions have now been given revised implementation dates and these will be reviewed during the year.</p> <p>Work is on-going with the Contact Centre Team to automate the follow-up process.</p>

Other audit work undertaken:

Investigations

There has been one internal investigation carried out during 2016/17 in relation to the misuse of the flexi-time recording system. Following an extensive investigation, the officer resigned before the disciplinary hearing was held. Both the External Auditor and the Chairman of the Audit Committee were updated on the outcome of this investigation.

National Fraud Initiative – Data Matching Exercise.

The Council is currently processing the data matches received regarding housing benefits, council tax, rising 18's, payroll, creditor payments, VAT, licences, insurance claims, and resident parking permits. Once all matches have been examined, the Compliance Manager will attend Audit Committee in September 2017 to present the results.

Gifts and Hospitality (Received and Provided)

The Audit and Risk Management Team maintain the register of gifts and hospitality and provide advice when necessary. There is an on-line 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 to be included on the Council's register. Since 1 April 2016 there has been 33 gifts and hospitality items registered, compared to 38 items registered in 2015/16. A reminder was issued to staff in December 2016 reminding them of the policy and the need to report any gifts or hospitality received.

Information governance – Senior Information Risk Owners (SIRO) judgement of security and use of business assets

In 2014, LCC carried out a review of the council's information governance framework. 16 recommendations were made with the main areas identified as requiring attention being the development of information asset registers, a classification scheme, identifying asset owners and the implementation of an information governance strategy. In April 2017, LCC completed a follow-up review to identify the progress made in implementing the recommendations. Unfortunately as there is no dedicated information governance resource, progress is slow and to date only 5 recommendations have been implemented fully. The remaining 11 are work in progress and are due to be addressed later in the year.

It should also be noted that the new General Data Protection Regulations (GDPR) comes into force in May 2018. A review has been scheduled into the audit plan for 2017/18 in relation to examining the council's GDPR readiness. However as things stand, it is expected that the council will have a significant amount of work to do in order to achieve compliance with the new regulations. It is for this reason that as the council's SIRO it is my opinion that at present there is a weakness around the controls in place to ensure full compliance with the current Data Protection Act and also with the incoming GDPR in May 2018 and this needs to be addressed.

Anti-Fraud and Corruption Awareness

All the council's counter fraud policies are reviewed annually by the Audit Committee. They are located on BRIAN to allow staff and Elected Members easy access. It is

intended to refresh staff awareness in summer 2017 with a questionnaire to both staff and elected members to highlight any gaps in knowledge.

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. This year's review has been completed using the 'Public Sector Internal Audit Standards' and 'Local Government Guidance Note' issued by CIPFA. There were no gaps identified resulting in full compliance. 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. 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. Wyre Council's assessment will be completed in March 2018.

Quality Assurance Improvement Programme

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

The internal assessments include the following:

- An annual self-assessment of the effectiveness of the audit service using the PSIAS. From this assessment an action plan highlighting areas for improvements will be developed. The results of this exercise are reported to the Audit Committee in May each year; six monthly monitoring of the internal audit activity to the Audit Committee; and
- Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the section's Audit Charter and also in the PSIAS.

External assessments include:

- A 5 yearly independent assessment of compliance to the PSIAS;
- An annual review of the Council's Annual Governance Statement which accompanies the Statement of Accounts;
- Regular attendance at the Audit Committee by the Council's External Auditor with the opportunity to meet in private with the Committee; and
- The External Auditors and the Audit Committee review and 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 replaced CIPFA's 'Code of Practice for Internal Audit in Local Government'. 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. It should be noted that at the review dated May 2017 there were no deviations to report.

Security Sweeps

Security sweeps of the building were carried out in July 2016 with the objective being to give an opinion on the overall security of the Civic Centre, making suggestions where improvements could be made and ensuring that the council is complying with the seventh data protection principle 'personal information must be secure'. A few minor issues were identified at the time of the security sweep but they were immediately rectified.

Compliance Team

On the 1 August 2015 the Housing and Council Tax benefit fraud function transferred to the Dept. for Work and Pensions (DWP). Since that date the DWP determine which referrals are subject to a criminal investigation, a compliance investigation or are closed as no further action. As a result Wyre Council's compliance team has concentrated its resources on preventative and other investigative functions. These include:

- Investigating false claims for Council Tax Single Person Discount;
- Business Rate Avoidance issues including identifying unregistered businesses, identifying falsified business rate relief claims and investigating the use of insolvency legislation to avoid liability;
- Identifying unregistered domestic properties, referring them to the Valuation Office Agency for entry into the local Council Tax rating list;
- Conducting general benefit review cases, identifying changes in circumstances and recalculating entitlements accordingly; and
- Recovery of overpaid Housing Benefit, Council Tax Arrears, Business Rate Arrears and Sundry Debts.

The Council is also in the process of introducing a civil penalty (low level fines) regime for both Council Tax and Housing Benefit for people who fail to report changes in circumstances resulting in over payments which do not meet the Single Fraud Investigation Service current investigation threshold.

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 amount of audit work undertaken in the year compared with work planned;
- 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; and
- The issues identified in the Annual Governance Statement.

The tables below show the total number of completed reports to date from Wyre, Lancashire County Council and Mazars during 2016/17 and the overall audit opinion / level of assurance that was given and also the total number of audits where the report is still at the draft stage.

Wyre Council Reports

Audit Opinion	Excellent	Good	Fair	Weak	Poor	Draft / Fieldwork	No report	Total
Number of Audits	0	6	3	0	0	2	1	12

No report has been issued for the follow-up review of 2015/16 audit recommendations. Further details of the work carried out in this area can be found in the summary of audit work performed earlier in this report.

Mazars Reports

Level of Assurance	Substantial Assurance	Adequate Assurance	Limited Assurance	No Assurance	Still in draft	Total
Number of Audits	1	2	0	0	0	3

Lancashire County Council (LCC) Reports

Audit Opinion	Full	Substantial	Limited	No Assurance	No report	Total
Number of Audits	2	0	1	0	1	4

No report has been issued for the information governance work. However a memo was issued reporting the progress on the implementation of recommendations made in 2014. Further details of the work carried out in this area can be found in the summary of audit work performed earlier in this report.

Chief Internal Auditor's opinion on the council's control environment

Of the 19 pieces of work carried out during 2016/17, it is pleasing to note the following;

47% (9) of the audit work completed has been issued with an audit opinion of 'good' (Wyre Council) or 'substantial / full (LCC / Mazars) assurance.

26% (5) of the audit work completed has been issued with an audit opinion of 'fair' (Wyre Council) or 'adequate' (Mazars) assurance.

5% (1) of the audit work completed has been issued with an audit opinion of 'limited' (LCC) assurance.

No areas of audit work completed were issued with an audit opinion of weak' or 'poor' (Wyre Council), or 'no assurance' (LCC / Mazars).

Of the 6 areas of work that have not been given a good' or 'substantial / full assurance, I am confident that the actions that management have agreed in response to the findings will, if implemented satisfactorily, resolve the issues in an appropriate manner.

Taking into account all the areas that are listed above in respect of the internal control environment, it is my opinion that the council has in place satisfactory controls to be able to maintain an adequate and effective internal control environment. However, due to the slow progress made in implementing the information governance recommendations and the importance of compliance with the new General Data Protection Regulations due to come into force in May 2018, it is in my opinion that this should be reported in the Council's AGS for the year 2016/17.

Note

At the time of publishing this audit opinion, two reports were still at 'fieldwork' stage. Discussions with the Senior Auditor confirm that to date, no significant issues have been identified that would change the overall audit opinion.

RISK MANAGEMENT PROGRESS REPORT – OPERATIONAL RISKS

Progress on the embedding of risk management is reported to the Audit Committee via six monthly reports by the Head of Governance (Chief Internal Auditor). This is in line with the council's Risk Management Policy, originally approved by Cabinet in April 2004 and reviewed and approved annually by the Audit Committee in September.

Risk workshops are held in April each year with each service unit identifying any new risks that may occur during the year preventing the achievement of individual service plans. It is also an opportunity to review progress made in respect of any existing risks, remove risks that are no longer valid and action plan to mitigate against identified risks wherever possible.

All staff who have responsibilities for identified risks are encouraged to review their risks and update their action plans continually throughout the year. However a prompt is issued to staff in October to ensure progress is documented.

The council is currently using spreadsheets to assist with the management of operational risks and these can be viewed by following the link below. The Audit Committee are encouraged throughout the year to go and view the risks identified by each service unit and ensure progress is being made to mitigate each risk and challenge officers in the instances where no progress has been made.

<http://intranet/services/RiskManagement/Pages/default.aspx>



Wyre Council - Audit and Risk Management

STRATEGIC RISK REVIEW

6 February 2017

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Appendix A - Risk Profile

Appendix B - Risks above the appetite

Appendix C - Risks below the appetite

Appendix D - Risks removed from the register

Report Preparation

Report prepared by: Karen McLellan, Senior Auditor
Telephone: 01253 887325

Report Distribution

This report has been issued to:

- Garry Payne – Chief Executive
- Marianne Hesketh – Service Director of Performance and Innovation
- Mark Billington – Service Director of People and Places
- Mark Broadhurst – Service Director of Health and Wellbeing
- Clare James – Head of Finance (Section 151)
- Joanne Billington – Head of Governance
- Cllr L McKay – Audit Committee Chairman

1. Introduction

- 1.1 On the 6 February 2017 a strategic risk management assessment was facilitated by the Senior Auditor for Wyre Council in accordance with the council's annual risk management process.
- 1.2 This exercise was attended by the Corporate Management Team, Head of Finance, Head of Governance and Councillor McKay in her role as the Chairman of the Audit Committee. The session provided an opportunity to review the existing strategic risk register for Wyre Council and to identify and prioritise any new risks facing the Council in its delivery of its business plan for 2017/18.

2. Executive Summary

- 2.1 The last half yearly review of the strategic risk register was completed in October 2016 by the Corporate Management Team. This exercise allowed any changes since then, both in circumstance and direction, to be identified and reflected in the revised risks.
- 2.2 During the most recent review the group identified 2 new risks and concluded that 1 of the original 9 risks could be removed from the register. (Appendix D describes the risks and the reason for their removal from the register). The 8 risks remaining from the original register were reviewed in terms of likelihood and impact resulting in 4 retaining the same rating and 4 being amended.
- 2.3 A review of the risk appetite was completed resulting in the low likelihood and catastrophic impact risks falling below the risk appetite. There are now 7 risks above the risk appetite and 3 risks below. The completed matrix is shown in Appendix A.
- 2.4 Following the assessment the 7 risks above the risk appetite are as follows:

Risk Number	Description
18	Central government funding is insufficient to provide the current level of service.

Audit & Risk Management – Strategic Risk Review 2017

23	The efficiency programme is insufficient to meet the funding gap identified in the latest financial projection.
26	The use of council assets is not maximised leading to insufficient funding to deliver capital projects.
38	The Local Plan is delayed due to the lack of response from other statutory consultees.
39	Funding from Lancashire County Council is withdrawn impacting on the delivery of services within Wyre.
40	The delivery of the Council's Business Plan and projects is delayed due to current workloads and staff capacity issues.
41	The current IT infrastructure is not fit for purpose.

- 2.5 The risks above the risk appetite (Appendix B) will now be managed and monitored to ensure that they do not hinder the delivery of the Council's objectives. A risk owner for each of the risks has been identified and it is their responsibility to ensure that an action plan is developed that clearly demonstrates how the risk will be managed.
- 2.6 A number of risks are sitting below the appetite (Appendix C) and it is important that the controls already in place are regularly reviewed to ensure these continue to sufficiently control these risks and no additional action is required to ensure that their likelihood and/ or impact does not alter significantly.

3.0. Approval

- 3.1 The revised risk register will be reported to the Audit Committee and a copy of the risk register is available to view on the council's intranet.

4.0. Monitoring

- 4.1 Reviewing or monitoring of risks is twofold. Firstly the action plans to manage the risks should be regularly monitored and secondly the risks above and below the line should be reviewed in terms of their position on the matrix. Quarterly reviews of the action plans will be completed to demonstrate that risks above the appetite are being actively managed, with a half yearly review of all risks being completed in October 2017.

5.0. Directorate operational risk registers

- 5.1 In accordance with the council's risk management processes, a review of the directorate operational risk registers will also be undertaken in April 2017 to review the risks currently recorded on the operational risk registers and to identify and prioritise any new risks facing each directorate in the delivery of their service plans for 2017/18.

Appendix A - Risk Profile

Likelihood
Page 111

A			18 23 26 38		
	B		36	39 40 41	
			22	28	
	C				
	D				
E					
	IV	III	II	I	
	Impact				

Likelihood

- A High
- B Significant
- C Low
- D Very low
- E Almost impossible

Impact

- I Catastrophic
- II Critical
- III Marginal
- IV Negligible

Appendix B – Strategic risks above the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
18	Critical / High	Central Government funding is insufficient to provide the current level of service.	Funding for the 4 years commencing 2016/17 has been announced but there continues to be a funding gap in 2019/20 of £1.8m and £2.2m in 2020/21.	<ul style="list-style-type: none"> • Further savings will need to be identified • The 4 year business plan may need to be reviewed in accordance with resources available • Negative impact on staff resulting from uncertainty about the future 	Clare James
23	Critical / High	The efficiency programme is insufficient to meet the funding gap identified in the latest financial projection.	The council has identified a number of projects that will help to reduce the gap between expenditure and income reflected in the latest MTFP. However, further projects will be required to achieve the level of savings required.	<ul style="list-style-type: none"> • Additional savings / cuts in services will be required • Members trust in the Management Team and the SLT to deliver future savings will be affected • The impact of further reductions in government grants will be exacerbated 	Management Team
26	Critical / High	The use of council assets is not maximised leading to insufficient funding to	Future capital investment is dependent on capital receipts from the sale of council assets.	<ul style="list-style-type: none"> • Additional savings / cuts in services will be required. • Additional borrowing costs will exacerbate the funding gap 	M Hesketh

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		deliver capital projects.		<ul style="list-style-type: none"> • Assets will deteriorate and maintenance costs will increase • Resident satisfaction levels will reduce 	
38	Critical / High	The Local Plan is delayed due to the lack of responses from other statutory consultees.	The Council is required to publish a Local Plan and timescales have been published.	<ul style="list-style-type: none"> • Reputational issues will arise • Further costs will need to be incurred • The Council may be subject to 'special measures' imposed by the DCLG 	Garry Payne
39	Critical / Significant	Funding from Lancashire County Council is withdrawn impacting on the delivery of services within Wyre.	Lancashire County Council have stated that they will not be able to set a legal budget for 2018/19 and have announced that significant savings have to be achieved to reduce their funding gap for 2017/18.	<ul style="list-style-type: none"> • Services are withdrawn • Increased council expenditure to continue with existing services • Adverse publicity • Reputational damage • Increased complaints from service users 	Management Team
40	Critical / Significant	The delivery of the council's Business Plan and projects is delayed due to capacity issues	The Council has published the updated Business Plan for 2017, which sets out our strategic priorities and projects. However, due to the loss of key individuals and the inability to recruit staff in	<ul style="list-style-type: none"> • Projects are not delivered • The Council doesn't move forward 	Management Team

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		and current workload.	key service areas, there is a risk that projects will not be delivered.	<ul style="list-style-type: none"> • Staff under pressure leading to stress and absenteeism • Key staff leave • Failure to deliver objectives • Council criticised • Adverse publicity 	
41	Critical / Significant	The current IT infrastructure is not fit for purpose	The capacity and performance of the current IT infrastructure is insufficient to meet the demand from services reducing operational performance.	<ul style="list-style-type: none"> • Loss of staff time • Delays in the delivery of key services • Productivity loss 	M Hesketh

Appendix C - Risks below the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
22	Marginal / Low	The leisure review does not generate the required rate of return for 2016/17.	The council agreed to spend significant sums redeveloping the Poulton and Thornton leisure centres to meet the needs identified in the public consultation exercise. Whilst professional external advisors have helped to specify the facility mix, the take-up is not guaranteed and the income and expenditure projections may not be achieved.	<ul style="list-style-type: none"> • Expenditure is higher than expected • Projected efficiency savings are not realised • Income falls short of the target
28	Critical / Low	The Local Plan is declared unsound delaying its implementation.	The Council is required to adopt a Local Plan which must be tested at an inspection prior to adoption.	<ul style="list-style-type: none"> • Further costs will need to be incurred • Unwanted development will be hard to defend • Legislation / guidance may change requiring the exercise to be repeated at significant cost to the taxpayer
36	Marginal / Significant	Decisions by the shadow combined authority have an impact on the Borough and Council capacity	A shadow combined authority has been formed and Wyre Council are not a member of this. Therefore, Wyre will have no influence on the decision making process which could potentially affect the Borough and Council capacity.	<ul style="list-style-type: none"> • Council priorities are not delivered • Unable to influence decisions which may impact on Wyre residents • Allocation of resource may not ultimately result in the desired outcome

Appendix D - Risks removed from the register

Risk number	Reason for removing from register	Risk Description	Vulnerability	Consequence
35	Following the conclusion of the Greengage support, regular 1 to 1's continue with the Chief Executive and the Service Directors and Head of Finance, contributing to their CPD. The budget has now been set and the new approach is working well, with presentations to the Conservative Group by the Head of Finance and attendance at Cabinet meetings and Full Council by Service Directors.	Three Senior members of the Senior Leadership Team will leave the organisation in 2016/17 resulting in a loss of knowledge and skills and increased expectations on those remaining.	The newly appointed Service Directors are retaining responsibility for their own service areas in addition to becoming members of the Corporate Management Team and responsible for strategic management.	<ul style="list-style-type: none"> • Loss of knowledge and experience • Capacity issues / increased expectations • Cultural change for the organisation • Ongoing challenges financially • Longer lead in to the delivery of efficiency savings • The management team will take time to develop effective working arrangements / build relationships.



Report of:	Meeting	Date	Item no.
Head of Finance (S151 Officer)	Audit Committee	20 June 2017	9

Annual Governance Statement 2016/17
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1. Purpose of report

- 1.1 To approve the Annual Governance Statement (AGS) for inclusion in the Annual Statement of Accounts in July 2017 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 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, tax payers 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 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 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.

5. Key Issues and proposals

- 5.1** The AGS is attached at Appendix 1 and has 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 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	06.06.17

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

List of appendices

Appendix 1 – Annual Governance Statement 2016/17

arm/audit/cr/200617 – Item 9

ANNUAL GOVERNANCE STATEMENT 2016/17

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 2017 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 principles set out in the CIPFA/SOLACE framework during 2016/17.

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.
- Effective arrangements are in place to ensure that high standards of conduct for elected members are firmly embedded within the culture.
- 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.
- There is an effective 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.
- Ethical governance surveys are used to ensure staff are regularly reminded of the council's policies and procedures in place to manage ethical governance.
- 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 over 16 years internal audit experience and is professional 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.
- The council uses an on-line e-learning package to promote information security and the Data Protection Act.
- Regular training is provided to elected members who sit on regulatory committees such as planning or licensing.
- 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 recorded in advance of decision-making and used appropriately.
- 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 vision, 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 been awarded a 4 star rating (highest possible 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.

Engaging comprehensively with institutional stakeholders

- The leisure management partnership board meets regularly to oversee the operation of the council's leisure centres and pools.
- Staff consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.
- 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.; the health and wellbeing partnership.

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 undertaken significant stakeholder engagement as part of the preparation of the local plan.
- The 'life in Wyre' survey was refreshed during 2016.
- An action in the business plan for 2016/17 is to 'support elected members and parish and town councils to improve neighbourhoods' through empowering communities and encouraging active citizenship.
- The 'together we make a difference network' has recently been formed 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.

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 in its business plan (2015 – 2019) and uses this as a basis for corporate and service planning.
- The business plan includes a set of measures defining outcomes which are reported quarterly to the Overview and Scrutiny Committee.
- There is an annual review of performance which is publically reported.
- There are effective arrangements to deal with failure in service delivery.
- There is a corporate complaints procedure with annual reports 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.
- 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.
- There is a health plan for Wyre reflecting the priorities of the Fylde and Wyre clinical commissioning groups and the Fylde and Wyre health and wellbeing partnership.
- 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.
- Procedures are in place to address conflicting interests e.g. the call-in-procedure.

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

Determining interventions

- There are effective mechanisms 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 recorded well in advance of decision making and used appropriately.

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 published annually.
- Business plan actions are managed by officers and monitored by Cabinet and Overview and Scrutiny.
- 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.

Optimising achievement of intended outcomes

- The MTFP is agreed annually in September 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. A recent internal audit review gave an overall opinion of 'good'.
- 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.
- A full review of the council's performance appraisal system is currently in progress.
- An on-going third-tier management training programme 'aspiring leaders for the future' is in place which ensures managers have the required skills and support to carry out their roles and allows the council to plan for succession.
- The council attends the Lancashire waste partnership group and is currently evaluating options following the WRAP report commissioned by LCC.
- 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 also 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.
- The councillor development programme and councillor development strategy is regularly reviewed and includes a skills framework for all elected member roles and responsibilities.
- 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 top 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 agreed annually by the Audit Committee in September.
- 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 being developed ensuring compliance with legislation and demonstrating best practice in information governance

Managing performance

- The council has an Overview and Scrutiny function which encourages 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.
- Performance measures are published within the autumn edition of Wyre Voice.

Robust internal control

- An effective internal audit function is 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 each year using the PSIAS and the checklist provided in the Local Government Application Note published by CIPFA.
- 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.
- The Head of Governance (Chief Internal Auditor) has over 16 years internal audit experience and is professionally qualified. They are a certified and chartered auditor (CIA, CMIIA) and also hold a Qualification in Internal Audit Leadership (QIAL).
- The implementation of internal audit report recommendations is monitored by the Head of Governance (Chief Internal Auditor) and the Audit Committee.
- Counter-fraud policies are in place and reviewed annually. The effectiveness of these policies is reviewed on a regular basis.
- A review of the council's information governance arrangements was completed in 2017. An action plan is now in place to address any weaknesses in compliance.
- Robust whistleblowing arrangements are in place.

Managing data

- The council uses an on-line e-learning package to promote information security and the Data Protection Act.
- The council complies with the Data Protection Act and regular security sweeps take place to test compliance. The council has also appointed a Senior Information Risk Owner (SIRO) who is responsible for the council's data.
- Secure arrangements are in place for the transfer of sensitive data.
- 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.
- 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 in September 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 2015/16 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. A recent internal audit review provided substantial assurance that controls were in place and working as intended.
- 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.

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.
- An annual review of performance is publically reported.
- 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 participated in a LGA peer challenge in March 2017.
- The council's last RIPA inspection was undertaken on the 4 November 2015 and all recommendations made have subsequently 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.

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 each financial year a review of 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;
 - 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 2016/17 concluded that the council has in place satisfactory controls to be able to maintain an adequate and effective internal control environment.
- 7.6 The review of compliance with the governance framework has involved a review of the latest position on the core principles 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 2015/16. 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 councils 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 Given that the council does not have a full time dedicated information governance resource, limited progress has been made in implementing the information governance recommendations first issued in June 2014. The new General Data Protection Regulations come into force in May 2018 and it is highly likely that if more resources are not allocated to information governance the council will not be compliant.
- 9.2 Following the workshop with the council's key officers, minor issues have also been identified which will be 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, 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 2017 is satisfactory.



COUNCILLOR P GIBSON
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 2017 is satisfactory.

Gann, Payne

G PAYNE
CHIEF EXECUTIVE

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Our ref 1718/AFL/WBC

Contact Christopher Paisley
 0161 246 4934

21 April 2017

Dear Ms James

Annual audit fee 2017/18

I am writing to confirm the audit work and fee that we propose for the 2017/18 financial year at Wyre Borough Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

Planned audit fee

The planned audit and certification fees for 2017/18 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2017/18	Planned fee 2016/17
Audit fee – Wyre Borough Council	£48,662	£48,662
Certification of housing benefit grant claim	TBC	£5,580

PSAA has set the 2017/18 scale fees at the same level as for 2015/16 and 2016/17, thereby preserving the 25 per cent reductions in cash terms that were applied to those years which in turn were in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012/13. This equates to a real terms saving of 61 per cent over this period. The 2017/18 planned fee is in line with the scale fee.

The PSAA has yet to publish its scale fee for the Certification of housing benefit grant claim. We will communicate this to you as soon as the PSAA publishes this information.

As we have not yet completed our audit for 2016/17 the audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Redistribution of Audit Commission surplus

PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

Factors affecting audit work for 2017/18

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2017/18 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

Certification work

As well as our work under the Code, we will certify the 2017/18 claim for housing benefit subsidy to the Department for Work & Pensions (DWP).

The 2017/18 subsidy claim will be the final year for which PSAA will make arrangements for auditors to undertake housing benefit subsidy certification work. After the end of the transitional arrangements and the current audit contracts, PSAA has no legal power or remit in relation to assurance on claims or returns. The DWP is developing its own assurance arrangements from 2018/19 and has issued further

guidance directly to local authorities. We will liaise with the Council over the future approach to this work as details emerge.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

The proposed fee excludes any additional work we may agree to undertake at the request of Wyre Borough Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Beyond 2017/18

The 2017/18 audit will be the last under the current transitional arrangements whereby PSAA is responsible for managing the audit contracts novated to it from the Audit Commission upon its closure in March 2015.

For audits of the accounts from 2018/19, the provisions of the Local Audit & Accountability Act 2014 in relation to local appointment of auditors take effect. The Secretary of State for Communities and Local Government has specified PSAA as the

appointing person for principal local government and police bodies. PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

Our team

The key members of our audit team for the 2017/18 audit are:

Name	Role	Contact details
Amanda Latham	Director	Amanda.Latham@KPMG.co.uk 01772 473 623
Christopher Paisley	Manager	Christopher.Paisley@KPMG.co.uk 0161 246 4934
Hasnen Anjum	Assistant Manager	Hasnen.Anjum@KPMG.co.uk 0161 246 4325

Quality of service

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to:

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London
SW1P 3HZ

Yours sincerely



Amanda Latham
Director, KPMG LLP

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2016/17;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Authority Accounting within your 2017/18 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you (note that 2017/18 is the first year in which the 'faster close' timetable applies whereby the deadline for draft accounts moves to the end of May and the deadline for publishing audited accounts moves to the end of July);
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
External audit plan	January 2018
Report to those charged with governance (ISA260 report)	July 2018
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2018
Opinion on Whole of Government Accounts return	September 2018
Annual audit letter	October 2018
Certification of grant claims summary report	November 2018

Appendix 3 – Independence & objectivity requirements

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. The APBs Ethical Standard requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the NAO's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within a local authority area.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of April 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

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Work programme and scales of fees 2017/18

Local government and police bodies

March 2017

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

The Secretary of State for Communities and Local Government delegated a number of statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

As a consequence of these delegations, for 2017/18 the company will continue to be responsible under transitional arrangements for appointing auditors to local government and police bodies, for setting audit fees and for making arrangements for certification of housing benefit subsidy claims.

Looking beyond 2017/18, the Secretary of State has specified PSAA as the appointing person for principal local government and police bodies from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. PSAA will therefore make auditor appointments for local government and police bodies that have opted into its national scheme for audits of the accounts from 2018/19.

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Introduction

1. This document sets out the work to be undertaken by appointed auditors at principal local government and police audited bodies for audits of the 2017/18 accounts, together with the associated scale audit fees.
2. The work will be undertaken under the [Code of Audit Practice](#) published by the National Audit Office on behalf of the Comptroller and Auditor General.
3. The [statement of responsibilities of auditors and audited bodies](#) continues to apply to the work set out in this work programme. The appointed auditor is, always, responsible for the conduct of the audit.
4. This document does not cover the work programme and fees for smaller bodies as defined under section 6 of the Local Audit and Accountability Act 2014. [Smaller Authorities' Audit Appointments Limited](#) is responsible for appointing auditors and setting fees for these bodies for accounting periods starting from April 2017, unless the bodies opt to appoint their own auditor.

Background

5. The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015. The Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis, and the Audit Commission's audit contracts were novated to PSAA.
6. PSAA will oversee the Audit Commission's audit contracts until they end. The Department for Communities and Local Government has confirmed that for the principal local government and police bodies listed in schedule 2 to the Local Audit and Accountability Act 2014 this will be with the completion of the audits of the 2017/18 accounts. PSAA's responsibilities under the transitional arrangements include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on [PSAA and its responsibilities](#) is available on our website.
7. PSAA is publishing this 2017/18 work programme and scale fees, following consultation, in advance of the start of the financial year to which they apply to provide clarity and certainty for audited bodies.

2017/18 fees

8. There are no changes to the work programme for local government and police bodies for 2017/18. Following consultation, we have set scale fees at the same level as the fees applicable for 2016/17 and 2015/16.
10. Before it closed, the Audit Commission reduced 2015/16 scale fees for most audited bodies by 25 per cent based on the fees applicable for the previous year, in addition to the 40 per cent reduction in fees from 2012/13. We expect these substantial fee

reductions to continue to apply for the duration of the current audit contracts, providing there are no significant changes to auditors' work. In cash terms, audit fees have reduced by 55 per cent compared to 2011/12 levels; in real terms the saving to audited bodies is equivalent to 61 per cent.

11. We received a limited response to our consultation on the 2017/18 work programme and scale fees, with only 6 replies (1.1 per cent of consultees). Responses were generally positive about the proposals set out in the consultation. We have published a [summary of the consultation responses](#) on our website.
12. The scale audit fees for individual bodies are published alongside this work programme, to support transparency and to enable audited bodies to compare their fees with those of similar bodies.

Beyond 2017/18

13. The audit of the 2017/18 accounts is the final year for which the current audit contracts and the transitional arrangements made by the Department for Communities and Local Government will apply.
14. For audits of the accounts from 2018/19, the provisions of the Local Audit and Accountability Act 2014 in relation to local appointment of auditors take effect. The Secretary of State for Communities and Local Government has specified PSAA as the appointing person for principal local government and police bodies. PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

Distribution of surplus

15. As a not-for-profit company established by the Local Government Association, PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.
16. We expect to make a distribution equivalent to approximately 15 per cent of scale audit fees to local government and police bodies.

Work programme 2017/18

Audit

17. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory [Code of Audit Practice](#) and guidance for auditors of local public bodies. Audits of the accounts for 2017/18 will be undertaken under this Code, on the basis of the work programme and scale fees set out in this consultation. Further information on the NAO Code and guidance is available on the [NAO website](#).
18. Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks.

Audit work on highways network assets

19. Since we consulted on the proposed 2017/18 scale fees and work programme, CIPFA/LASAAC has postponed full implementation of new measurement requirements for highways network assets in the *Code of Practice on Local Authority Accounting in the United Kingdom*. Originally implementation of the requirements was planned for the 2016/17 accounts.
20. If introduction is confirmed for the 2017/18 accounts, the fees for the additional audit work required at applicable authorities will be subject to PSAA approval under the normal fee variations process set out in the fees section of this document. It is not appropriate to make a general increase to the scale fees of relevant bodies to cover this work, because the amount of work required at individual authorities will vary based on local circumstances.
21. We expect the additional fees for a highway authority will be in the range £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use. Where the reporting requirements apply at non-highway authorities, fees should be below £5,000 where the same conditions apply. These fee ranges are indicative, and it may not be possible to apply them in every case.

Auditors' work on value for money arrangements

22. Under the Local Audit and Accountability Act 2014, auditors are required to satisfy themselves that an audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money arrangements conclusion).
23. 2017/18 scale fees have been set, as for previous years, on the basis that the NAO's Code of Audit Practice and supporting guidance does not change the level of work required by auditors in order to arrive at a value for money arrangements conclusion.

Certification work

24. As well as their audit work under the Code, appointed auditors will certify 2017/18 local authority claims for housing benefit subsidy to the Department for Work and Pensions.
25. 2017/18 is the final year in which PSAA will make arrangements for auditors to undertake housing benefit subsidy certification work. After the end of the transitional arrangements and the current audit contracts, PSAA has no legal power or remit in relation to assurance on claims or returns. The DWP is developing its own assurance arrangements from 2018/19 and has issued further guidance directly to local authorities.
26. Auditors will not certify any other claims or returns for 2017/18 under PSAA's audit contracts. As in the case of housing benefit subsidy, assurance arrangements for other schemes are a matter for the relevant grant-paying body, and are subject to separate fees and tripartite arrangements between the grant-paying body, the audited body, and the auditor.

National report

27. PSAA will publish a report in 2018 summarising the results of auditors' work on local government and police audited bodies' 2017/18 financial statements and arrangements to secure value for money.

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Scale fees for 2017/18

Scales of audit fees for local government and police bodies

28. The scale fees for 2017/18 reflect the cost of the work programme outlined above. The 2017/18 scale fee for each local government and police audited body is available on the PSAA website.
29. The duty to set fees includes the power to determine the fee above or below the scale fee where it is considered that substantially more or less work is required than envisaged by the scale fee. Scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.
30. As the 2017/18 scale fees are based on the scale fees for 2016/17, they continue to reflect the auditor's assessment of audit risk and complexity. We would only expect variations from the scale fee to occur in 2017/18 where these factors are significantly different from those identified and reflected in the 2016/17 fee.
31. It is a matter for the auditor to decide the work necessary to complete the audit. Where an auditor considers more or less work is required than is represented in the scale fee, they are required under the audit contracts to seek approval for a variation to the scale fee and to agree the amount of this variation with the audited body.
32. Under the audit contracts, appointed auditors are required to provide updated fee information and explanations for any proposed variations from the scale fee on a regular basis. PSAA will consider the reasonableness of the explanations provided before agreeing to any variation to the scale fee. Only approved fee variations can be invoiced or refunded to audited bodies.
33. Fees to cover the costs of considering objections are charged, as a variation to the scale fee, from the point at which an auditor accepts that an objection is valid. This also applies to costs incurred on any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Housing benefit subsidy certification

34. The 2017/18 indicative fee for housing benefit subsidy certification work at individual audited bodies is available on the PSAA website. The fees are based on the latest final certification fees available, for 2015/16 certification, and cover certification of housing benefit subsidy claims only. Fees for certification must cover the full cost of the work required to certify a claim.
35. Indicative certification fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims, with supporting working papers, within agreed timeframes.
36. It is a matter for the auditor to decide the work necessary to certify the claim and to seek to agree any proposed variation to the indicative fee with the audited body before

2017/18 work programme and scales of fees for principal local government and police bodies

obtaining approval from PSAA. Only approved fee variations can be invoiced or refunded to audited bodies.

37. As 2017/18 indicative certification fees for individual bodies are based on the latest certification fees available, they already reflect the auditor's assessment of the work required. We expect variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the actual 2015/16 certification fee.

Value added tax

38. All the 2017/18 fee scales exclude value added tax, which will be charged at the prevailing rate of 20 per cent on all work done.

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