



Audit Committee Agenda

Wyre Borough Council
Date of Publication: 13 November 2017
Please ask for : Carole Leary
Democratic Services
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**Audit Committee meeting on Tuesday, 21 November 2017 at 6.00 pm
in the Council Chamber, Civic Centre, Poulton-le-Fylde**

1. Apologies for absence

2. Declarations of interest

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

3. Confirmation of minutes

(Pages 1 - 4)

To approve as a correct record Minutes of the last meeting of the Audit Committee held on Tuesday 19 September 2017.

4. Annual Review of Audit Committee's Performance

(Pages 5 - 12)

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

5. Internal Audit and Risk Management - Progress Report

(Pages 13 - 28)

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

6. Annual Review of Council's Counter Fraud Policies - Anti Fraud, Corruption and Bribery, Whistle Blowing, Anti Money Laundering and Gifts and Hospitality and Registering Interests

(Pages 29 - 40)

Report of the Head of Finance (Section 151 Officer)

7. Annual Audit Letter 2016/17

(Pages 41 - 48)

Letter from the Council's external Auditors, KPMG.

8. Date and time of next meeting

Tuesday 13 March 2018 at 6pm, in the Council Chamber.

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Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 19 September 2017 at the Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillors Rita Amos, Emma Anderton, Howard Ballard, Rob Fail, Graham Holden, Tom Ingham, Paul Moon and Val Wilson

Apologies:

Councillor(s) Tom I Balmain, Michael Barrowclough, Ron Greenhough, Ann Turner and Lynn Walmsley

Officers present:

Clare James, Head of Finance and Section 151 Officer
Joanne Billington, Head of Governance
Karen McLellan, Senior Auditor
A Robinson, Fraud and Compliance Manager (attended for item 22)
Carole Leary, Democratic Services Officer

Non-members present:

A Latham – KPMG External Auditors and Councillor I Amos

Members of the public present: None

20 Declarations of interest

Councillor E Anderton declared an Interest on Item 4 – National Fraud Initiative Exercise 2014/15 – because she was employed by the Department for Work and Pensions.

21 Confirmation of minutes

The minutes of the Audit Committee meeting held on Tuesday 25 July 2017 were confirmed as a correct record.

22 National Fraud Initiative Exercise 2014/15

The Fraud and Compliance Manager made a presentation to the Committee on the outcomes of the National Fraud Initiative Exercise 2014/15. He informed the Committee that the Department for Work and Pensions (DWP) had taken over some of the benefit fraud functions previously undertaken by the council. In particular, it was now their responsibility to analyse data matches, which in the past, would have been Wyre Council's responsibility.

He also reported on the analysis of data matches between the electoral registration and council tax systems to identify instances of benefit fraud. He said that the newest detailed National Fraud Initiative Exercise was already in process, with the matches due to be available in December 2017.

RESOLVED that the outcomes of the National Fraud Initiative Exercise for 2014/15, be noted.

23 Annual Review of Financial Regulations and Financial Procedure Rules

The Head of Finance (Section 151 Officer) submitted a report.

The Head of Governance explained that the Financial Regulations and Financial Procedure Rules were reviewed annually, in accordance with best practice and guidance. She said that the regular review process provided evidence which helped the council to demonstrate that it had put arrangements in place to maintain a sound system of internal control. She referred to the proposed amendments listed in paragraph 5.1 of the report.

The Head of Finance commented on forthcoming changes to the Council's external audit arrangements, following the outcome of a previously reported procurement process, as a result of which, Deloitte LLP would take over from KPMG as the Council's external auditors from the financial year 2018/19.

The Head of Governance also highlighted changes which had been made to provisions relating to tendering processes in the Financial Regulations, following discussions with the Council's new Procurement Officer.

RESOLVED that the proposed changes to the Financial Regulations and Financial Procedure Rules referred to in paragraph 5.1 of the report and set out in full as track changes in Appendix 1 of the report, be approved.

24 Annual Review of Internal Audit Charter

The Head of Finance (Section 151 Officer) submitted a report.

The Senior Auditor introduced the report, explaining that an annual review of the Internal Audit Charter was a mandatory requirement of the Public Sector Internal Audit Standards. She explained that the charter outlined the responsibilities of internal audit, including details of organisational roles and relationships, reporting lines, the scope of work undertaken, quality assurance measures and arrangements for the evaluation of the service. The first external assessment of the service was due to be completed in March

2018 by Allerdale District Council and Lancaster City Council. In addition to the current annual operational audit plan submitted to the Committee in March each year, an Internal Audit Strategy would now be developed and maintained to demonstrate how the internal audit service would be delivered in accordance with the requirements of the internal audit charter, council objectives and priorities.

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

26 Compliance with the Regulation of Investigatory Powers (RIPA) 2000

The Senior Solicitor submitted a report reviewing the council's use of RIPA since November 2016. There had been no need to use the council's powers to conduct directed surveillance under RIPA or to use a covert human intelligence source during that period.

The Head of Governance introduced the report, informing members that the only proposed changes to the council's policy following the annual review were a couple of typographical corrections.

RESOLVED that the position be noted.

27 KPMG Technical Update - General Data Protection Regulations (GDPR)

The External Auditor referred to changes which the council would need to comply with by May 2018, to ensure that personal information relating to individuals was not made public and was only shared with other public bodies in tightly constrained circumstances. There had been a number of well publicised cases recently where information had not been kept secure and heavy fines had been imposed on councils as a result. Every council would need to designate a named Data Protection Officer, who would need to compile an inventory of all the personal information held and set up clear administrative arrangements for dealing with data subjects. Any loss of information would have to be reported within 72 hours.

The Head of Governance said that she had already started to deal with this and had been tasked to submit a report to the Corporate Management Team and Heads of service. Asset registers were already being populated and the processes which would need to be put in place were being identified.

The Head of Governance explained, in response to questions from Cllr Fail, the arrangements which were already in place for monitoring document retention schedules. She also explained the administrative changes which would need to be put in place to ensure that explicit permission was obtained from data subjects to use information supplied by them for other purposes.

She also confirmed, in response to a question from Cllr Moon, that a member of the public would not be able to obtain personal information about another individual by making a Freedom of Information Act request.

RESOLVED: that the implications for the Council of the General Data Protection regulations be noted.

28 Date and time of next meeting

Tuesday 14 November at 6pm in the Council Chamber.

(Subsequently rearranged to take place at 6pm on Tuesday 21 November)

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

Date of Publication: 9 October 2017



Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	21 November 2017	4

Annual Review Of Audit Committee's Performance

1. Purpose of report

1.1 To consider CIPFA's Self-Assessment of Good Practice contained within the CIPFA publication 'Audit Committees: Practical Guidance for Local Authorities and Police 2013' and identify the actions necessary to ensure that the Audit Committee meets best practice guidance and provides value to the authority.

2. Outcomes

2.1 The determination of an improvement plan for Audit Committee.

3. Recommendations

3.1 That the Audit Committee considers CIPFA's Self-Assessment of Good Practice at Appendix 1 and agree those areas where further improvement is considered beneficial.

4. Background

4.1 Audit Committees are a key component of an authority's governance framework. Their function is to provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.

4.2 An Audit Committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business.

4.3 Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential for delivering effectiveness.

4.4 Authorities are encouraged not to regard meeting the recommended practice as a tick box activity and are reminded that achieving

recommended practice does not mean necessarily that the Audit Committee is effective. To help give a more rounded opinion of the Committee's effectiveness, further guidance is provided in CIPFA's Audit Committee publication in respect of a knowledge and skills framework. This was used during the one-to-one meetings to guide members on their training needs.

- 4.5** At the last review the self-assessment results were discussed at the meeting on 8 November 2016 and an improvement plan was agreed. Two actions were highlighted. The action relating to the removal of attendance figures on the annual report has now been completed. However the action relating to the completion of one-to-one meetings is still outstanding as two meetings have yet to be carried out with members.

5. Key Issues and proposals

- 5.1** The self-assessment at Appendix 1 has been completed by the Head of Governance and ratified by the Head of Finance (Section 151 Officer). Members will be asked to contribute to a discussion at the meeting with a view to ensuring the Audit Committee are still meeting the requirements of CIPFA's 'Self-Assessment of Good Practice' and agree the two areas that require attention highlighted in bold.

Financial and legal implications	
Finance	There are no specific financial implications arising from the agreement of the improvement plan.
Legal	There are no specific legal implications arising from the agreement of the improvement plan.

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	10.11.2017

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

List of appendices

Appendix 1 – CIPFA Self-Assessment of Good Practice

arm/aud/cr/17/2111jb1

CIPFA self-assessment of Good Practice – November 2017

Good practice questions		Yes	Partly	No	Comments
Audit Committee purpose and governance					
1	Does the authority have a dedicated Audit Committee?	✓			The Audit Committee has been in place since December 2005.
2	Does the Audit Committee report directly to Full Council?	✓			A periodic report is submitted to Full Council with the last report being considered September 2017.
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			The terms of reference set out the purpose of the Audit Committee in accordance with CIPFA's Position Statement.
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?	✓			The terms of reference are reviewed annually by the Audit Committee in March and also form part of the Council's Constitution.
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	✓			The Audit Committee provide assurance on the adequacy of internal control, risk management and the integrity of financial reporting and the annual governance processes.
6	Are the arrangements to hold the Audit Committee to account for its performance operating satisfactorily?	✓			A review of effectiveness is completed annually. An action plan is formulated of any issues that need attention.

Functions of the Committee					
7	<p>Do the Audit Committee's terms of reference explicitly address all the core areas identified in CIPFA'S Position Statement?</p> <ul style="list-style-type: none"> ▪ good governance ▪ assurance framework ▪ internal audit ▪ external audit ▪ financial reporting ▪ risk management ▪ value for money or best value ▪ counter-fraud and corruption 	✓			The terms of reference address all the core areas identified in CIPFA's Position Statement.
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			The annual review of effectiveness gives the Audit Committee the opportunity to assess if it is fulfilling the terms of reference.
9	Has the Audit Committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	✓			The Audit Committee already participate by considering governance and risk. The Code of Practice on Treasury Management requires a body to be nominated and responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Council has nominated the Overview and Scrutiny Committee. (Cabinet 25/03/2015).
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A	N/A	N/A	There have been no instances where coverage of core areas has been found to be limited.
11	Has the Audit Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			The Audit Committee does not take on any decision making powers that are not documented within its terms of reference.

Good practice questions		Yes	Partly	No	
Membership and support					
12	<p>Has an effective Audit Committee structure and composition of the Committee been selected? This should include:</p> <ul style="list-style-type: none"> ▪ separation from the executive ▪ an appropriate mix of knowledge and skills among the membership ▪ a size of committee that is not unwieldy ▪ where independent members are used, that they have been appointed using an appropriate process. 	<p>✓ ✓ ✓ N/A</p>			<p>Whilst individual Members of the Audit Committee may also serve on overview and scrutiny the audit committee is independent of the scrutiny function. The Audit Committee Chairman is not a member of the Executive.</p> <p>The Council has agreed that all members will complete a Councillor Development Plan and a Development Needs Analysis to ascertain general training needs.</p> <p>Audit Committee members have had 1-1's with the Head of Governance to review their competence against CIPFA's mandatory knowledge and skills framework</p> <p><u>Action</u> A new questionnaire specific to Audit Committee members and separate ones for other committees to identify their current level of knowledge will be devised and introduced ready for the 2019 Election.</p> <p>Appropriate training will be provided to address any knowledge and skills gaps identified.</p>
13	Does the Chairman of the Audit Committee have appropriate knowledge and skills?	✓			The Audit Committee Chairman was appointed in May 2015. She holds an Associate Chartered

				Accountants qualification (ACA) and has previously worked in managerial roles within the audit environment.
14	Are arrangements in place to support the Audit Committee with briefings and training?	✓		Training is provided to the Audit Committee in accordance with their scheduled Audit Committee Work Programme. In addition, the Committee members will receive briefings as part of the Audit Committee agenda as and when required.
15	Has the membership of the Audit Committee been assessed against the <u>core</u> knowledge and skills framework and found to be satisfactory?	✓		The induction training in May 2015 covered the core areas of the knowledge and skills framework. The knowledge and skills framework was also discussed at the one to one meetings. In addition on-going regular attendance will ensure members complete the work programme thereby continually enhancing their knowledge and skills.
16	Does the Audit Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	✓		Both the Chief Financial Officer (CFO) and the Head of Governance (Chief Internal Auditor) attend every Audit Committee and a representative from our External Auditors is frequently in attendance.
17	Is adequate secretariat and administrative support to the Audit Committee provided?	✓		Each meeting is attended by an officer from the Council's Democratic Services Team. The meetings are minuted and published on the Council's Internet.

Effectiveness of the Committee				
18	Has the Audit Committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓		Feedback is sought annually from the External Auditor.
19	Has the Audit Committee evaluated whether and how it is adding value to the organisation?	✓		<p>Members have completed a questionnaire in respect of their qualifications, specific knowledge and experience which may assist when adding value to the Audit Committee and/or the organisation.</p> <p>One-to-one meetings have been held with the majority of the Audit Committee members to explore the questionnaires in more depth and to identify any gaps in knowledge and skills with the view to developing a training and development action plan. However, interviews are still to be held with three members of the Audit Committee.</p> <p><u>Action C/F from 2016</u></p> <p>The remaining Audit Committee members will be invited to attend a one-to-one meeting before December 2017. Once all meetings have been completed a training and development action plan will be formulated.</p>
20	Does the Audit Committee have an action plan to improve any areas of weakness?	✓		Actions contained within this checklist are highlighted in bold and will be implemented prior to the next annual review.



Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	21 November 2017	5

Internal Audit and Risk Management - Progress Report

1. Purpose of report

- 1.1 To review progress in relation to Internal Audit and Risk Management and consider progress against the action plan resulting from the 2016/17 Annual Governance Statement.

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. Recommendations

- 3.1 Members are asked to note the progress reports attached at Appendices 1, 2, and 3.

4. Background

- 4.1 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;
- Approving the annual programme of audits (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.

- 4.2 The Audit Committee's role in relation to reviewing the work carried out will include formal consideration of summaries of work done, key findings, issues of concern and actions planned as a result of audit work. A key part of the role is receiving and reviewing regular reports from the Head of

Governance in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage.

5. Key Issues and proposals

- 5.1 The progress reports in relation to Internal Audit, Risk Management and the action plan resulting from the 2016/17 Annual Governance Statement are attached at Appendices 1, 2, and 3.

Financial and legal implications	
Finance	The annual programme of audits is performed by the in-house team supplemented by 70 audit days, supplied by Lancashire Audit services and met from an existing budgetary provision.
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	10.11.2017

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

List of appendices

Appendix 1 – Internal Audit Progress Report

Appendix 2 – Risk Management Progress Report

Appendix 3 – Annual Governance Statement 2016/17 - Action Plan update

arm/aud/cr/17/2111jb3

Appendix 1

INTERNAL AUDIT PROGRESS REPORT – JUNE 2017 to NOVEMBER 2017

THE AUDIT PLAN AND DELIVERY

The Internal Audit and Risk Management Section is responsible to the Head of Finance (Section 151 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 ***“the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes 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. The table overleaf summarises audit work performed since the last progress reported on the 20 June 2017.

Wyre Council attends the Lancashire District Council’s Audit Group and continues to participate in the Cabinets Office National Fraud Initiative data sharing exercise. The Council also works closely with the Association of Local Authorities Risk Managers (ALARM) and our insurer, Zurich Municipal.

The annual contract with Lancashire Audit Services (LAS) provides 70 days of audit support at a rate of £325 per day for 2017/18. This is supplemented by work performed by the in-house team. The work completed by the in-house team is benchmarked against the work carried out by LCC to ensure that quality and standards are maintained.

All the major reviews conducted to date have been completed within or below the agreed time scales and to budget, and additional benefits continue to be derived from consultation with Lancashire Audit Services, given their wealth of experience and extensive client base.

Internal Audit will continue to provide the Council with the necessary assurance about its various activities and associated systems, as outlined in the Council’s Internal Audit Charter.

Audit Work Performed June to November 2017

As summarised below the following reviews have been performed and reports issued since the last progress report was delivered in the Annual Audit report in June 2017. Lancashire Audit Services have not yet started any of the planned work from the 2017/18 audit plan, however work is due to commence in January 2018.

Wyre Council Reports

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
<u>Audit work from 2016/17 completed since June 2017</u>								
YMCA	Completed October 17	N/A	N/A	N/A	N/A	N/A	Good *	<p>A piece of work was carried out to provide assurance to the Head of Finance / Section 151 Officer that adequate and effective controls were in place for the management of the budgetary and financial management processes at the YMCA.</p> <p>The financial accounts are externally audited and regular testing is completed by the Treasurer who sits on the YMCA Partnership Board; therefore no detailed testing was carried out.</p> <p>Although a final report was not issued, an email documenting potential service improvements has been sent to the Director of Finance. A response has been received and assurance given that regular monitoring will be completed of the cash receipting and handling procedures at each of the</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								YMCA centres and evidenced supplied to Internal Audit. * An overall opinion of 'good' has been given based on the assurances provided by the External Audit of the financial accounts.
Payment Card Industry (PCI) compliance	Final Report Issued Nov 17	0	1	3	0	0	Good	Areas have been identified where improvements could be made to strengthen the control environment, namely; <ul style="list-style-type: none"> • Dedicated council hardware is not currently used by contact centre staff working from home; • Cardholder data is not retained in accordance with corporate retention schedules; • Access logs are not currently analysed to identify any suspicious activity; and • The IT Computer Use Policy has not been updated to reflect the current security environment.
<u>2017/18 Audit work</u>								
Council Complaints procedure	Final Report Issued Oct 17	0	2	4	0	1	Good	Areas have been identified where improvements could be made to strengthen the control environment, namely; <ul style="list-style-type: none"> • Employee guidance on the complaints procedure has not been published on the council intranet or periodic updates completed;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> The various contact methods available to customers wishing to make a complaint are not clearly published on the council website; The complaints leaflet requires updating; The implementation of actions / feedback resulting from an investigation are not monitored or communicated to the Corporate Management Team; The timescale for the periodic review of the complaints process have not been defined; LGO complaints are not logged on the CRM system and correspondence scanned; and There is currently no formal reporting process in place in respect of complaints and compliments received to enable this to be monitored accordingly.
Compliance with delegated responsibilities	Final Report Issued Nov 17	1	1	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"> Executive decisions are not correctly completed in all instances; Key decisions to be made are not published at least 28 days before the decision is due to be taken in all instances; Written authorisation of functions delegated to officers is not obtained in all instances; and The Scheme of Delegations to Officers requires updating to remove obsolete posts.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Transparency Code – Publication Scheme	Draft Report Issued							The overall objective of the audit is to review the controls in place around the compliance to the Transparency Code 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.
Procurement	Fieldwork in progress							The overall objective of the audit is to review the controls in place around procurement and to follow-up progress made in implementing recommendations made at the last audit completed in December 2016.
Care and Repair	Fieldwork in progress							The Head of Finance / Section 151 requested that a follow-up piece of work was completed owing to a number of issues raised with the previous audit recommendations made in 2015/16.
Local Plan	Fieldwork in progress							The overall objective of the audit is to review the controls in place around the collection, use and storage of data for the local plan consultation to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.

Other audits to be performed in 2017/18 (ending 31 March 2018)

Wyre Council - 10 day audits

- Asset Management
- Marine Hall
- Information Sharing Agreements
- IR35 – off payroll engagements
- Compliance to information asset registers
- General Data Protection Regulations

Other on-going work

- Development of follow-up procedures (10 days)
- Developing information asset registers (20 days)
- Population of service risk registers (20 days)

LCC work

- Debtors, Creditors and Budgetary Control (20 days)
- IT work – yet to be confirmed (20 days)
- VAT (10 days)
- Treasury Management (10 days)
- Follow-up work 16/17 audit plan (5 days)
- Management Fee (5 days)

Other audit work undertaken:

Investigations

All whistleblowing calls and investigations carried out are logged and investigated with the confidential outcomes being reported to the Audit Committee's Chairman and Vice Chairman and also to the Council's external Auditor, KPMG. To date, there have been no whistleblowing calls during 2017/18 that has required internal audit investigation.

Money Laundering

Following a series of suspicious transactions made to the Council, the suspicious, a decision was made to invoke the use of the Council's Money Laundering Policy. Both the National Crime Agency and HRMC were notified. The Council have not been notified of the outcome.

National Fraud Initiative – Cabinet Office data matching exercise

The report for the 2014/15 data matching exercise reported to Audit Committee on the 19 September 2017 stated that the council had identified £33,458 in errors and overpayments. This involved processing approximately 1,489 data matches, of which 1,402 (94%) were cleared with no frauds, errors or overpayments being detected.

The council will continue to participate in the NFI with the 2016/17 exercise currently in progress. Results of any matches will be reported to the Audit Committee in 2018.

Gifts and Hospitality

The gifts and hospitality register is continually maintained throughout the year and is monitored by both the Council's Monitoring Officer and the Audit Committee. The register was examined by the Monitoring Officer in January 2017 and was presented to the Audit Committee at the November meeting.

Since April 2017 there have only been 4 declarations made by council officers receiving gifts and hospitality. A reminder will be placed on BRIAN in December, reiterating to staff the importance of declaring all gifts and hospitality received and that there is an on-line form to facilitate the reporting process.

Information Governance – GDPR Readiness

Focus has been given to ensuring compliance with the new General Data Protection Regulations (GDPR) which are due to come into force in May 2018. A significant proportion of the audit plan has been set aside to examine a number of processes around the governance of data, for example, information asset registers, data retention and data sharing. Work will also continue to implement the actions highlighted in Lancashire Audit Services report on the Council's Information Governance Framework. The Head of Governance will be working with the Corporate Management Team and Heads of Service over the next six months to design and implement an action plan to ensure all service areas are ready for the 25 May 2018 deadline.

Anti-Fraud and Corruption Awareness

The council's counter fraud policies are reviewed annually in November and are approved by the Audit Committee.

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 August.

Risk workshops are held in March / 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>

Strategic Risks

The Corporate Management Team review the Council's strategic risk register every six months and any subsequent action plans every quarter. Any changes to the ratings are documented and supported by a valid reason and sufficient evidence. The last 6 monthly review was carried out on the 25 October 2017. The results of this review will be reported verbally to the Audit Committee.

The next strategic risk workshop will be held on the 22 February 2018.

ANNUAL GOVERNANCE STATEMENT 2017/18 – ACTION PLAN UPDATE

Appendix 3

Governance Issues	Risk Rating	Year relating to	Finding / Actions	Responsible Officer	Position at November 2018
Information Governance	High	C/F 2015/16	There is a fear that some officers may respond to Freedom of Information and Subject Access Requests without using the recognised procedures. In addition, officers are not providing information in a timely manner to allow requests to be answered within the specific timescales.	Colin Worth / Jo Billington	Training sessions have been postponed while a review of the new GDPR is carried out. New guidance and training will be provided before GDPR comes into force in May 2018.
Page 24	High	2016/17	It has been highlighted as a significant issue in the Annual Governance Statement that the Council may not be compliant with the new General Data Protection Regulations (GDPR) that comes into force in May 2018.	Jo Billington / Corporate Management Team	A critical review is in the process of being carried out by the Head of Governance to ensure full compliance to the GDPR by May 2018. The Head of Governance has shared the Council's key areas of focus with CMT and HOS and will be working with them over the next 6 months to implement any actions that are required to ensure full compliance with the new regulations.
	Health and Safety	Medium	C/F 2015/16	A review of the Health and Safety information that is captured on BRIAN will be reviewed to ensure it is relevant and up to date.	L Hadgraft / K Holmes
	Medium	2016/17	Following a recent re-structure the Council has appointed a new Money Laundering Reporting Officer (MLRO) and	Jo Billington / Clare James / Mary Grimshaw	From the 26 June 2017, The Money Laundering Act 2007 was superseded by

Governance Issues	Risk Rating	Year relating to	Finding / Actions	Responsible Officer	Position at November 2018
			deputy. However it was noted that they have not received any training on their new roles.		the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. As a result, Lancashire County Council are hosting an external training course which will be open for all local authorities to attend. It is hoped that this will be taking place early in the new year.
Corporate Complaints	Medium	2016/17	The responsibility for ensuring the implementation of actions arising from the investigation of a Stage 2 complaint rests with the Head of Service. However it was identified that lessons learnt or changes that need to be made are not always implemented.	M Billington / P Mason	Investigating officers will be instructed to forward a copy of their response and details of any actions to the relevant Head of Service and their Service Director to keep them informed.
Monitoring Officer	High	2016/17	Following a recent re-structure the Council has appointed a new Monitoring Officer (MO). The MO no longer sits on the Council's Corporate Management Team therefore may not get the same exposure to Full Council and other Statutory Committee meetings as the previous MO did.	L Hadgraft	A schedule of attendance at meetings has now been formulated. The MO will attend on an ad-hoc basis, Full Council, Licencing, Planning, Audit, and Overview and Scrutiny meetings.
Project Management	Medium	2016/17	The Councils' approach to project management is still inconsistent. Project briefs are not always completed and regular updates provided when required.	M Hesketh	Project management templates have now been re-designed to make them more user-friendly. An exercise has been

Governance Issues	Risk Rating	Year relating to	Finding / Actions	Responsible Officer	Position at November 2018
					completed to identify the programmes and projects within the Business Plan with a view to using the new templates at the next refresh.
Member Training	Medium	2016/17	The Council has agreed that all members will complete a Councillor Development Plan (CDP) and a Development Needs Analysis (DNA) to ascertain general training needs. However, it was identified that these have not been refreshed for some time and do not necessarily providing the information required to complete an accurate skills and knowledge framework.	J Billington / R Saunders	The current CDP and DNA will be refreshed prior to the next Election in May 2019.
Council Constitution	High	2016/17	Following a number of restructures and local government changes it was identified that the constitution needs to be refreshed to ensure it is up-to-date and fit for purpose.	R Saunders / P Foulsham	The review of the Constitution will be carried out in two stages. Stage one is in progress and involves the review of 'parts' 1, 2, 4 & 5. Proposed changes will be submitted to Full Council before the start of the next municipal year. The final stage will start later in 2018 to look at the remaining 'parts'
Behaviours and Values	Medium	2016/17	The current appraisal documentation and its embedded values and behaviours are not aligned with the Council's new strategic narrative. A cross directorate working group is looking at reviewing the appraisal documents with a view to aligning the content. Roll-out is expected in September 2017.	L Hadgraft	The new appraisal process has now been rolled out and managers have been trained accordingly. The Council's new values and behaviours are now aligned to the strategic narrative.

Governance Issues	Risk Rating	Year relating to	Finding / Actions	Responsible Officer	Position at November 2018
					Further work is required to develop 'high level' values to suit employees working at a managerial level.
Equality	High	2016/17	The Council may not be complying with the Equality Act 2010.	Corporate Management Team	Internal Audit have completed a piece of work to address what the organisation needs to do in order to comply with the Equality Act. Actions have been identified and responsible officers assigned.

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Report of:	Meeting	Date	Item no.
Head of Finance (Section 151 Officer)	Audit Committee	21 November 2017	6

Annual Review Of Council's Counter Fraud Policies – Anti-Fraud, Corruption and Bribery, Anti-Money Laundering, Whistleblowing and Gifts And Hospitality and Registering Interests
--

1. Purpose of report

1.1 Approval of the Council's Counter Fraud Policies, namely:

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

2. Outcomes

2.1 The ability to demonstrate that the Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.

3. Recommendations

3.1 Members are asked to approve the policy documents detailed above.

4. Background

4.1 The Audit Committee work plan includes an annual review of the following polices:

Anti-Fraud, Corruption and Bribery - originally approved by the Standards Committee in 2006. The policy was amended in November 2011 to make reference to the Bribery Act 2010, which came into effect on the 1 July 2011.

Anti-Money Laundering - first introduced in 2007 to comply with the new 'Money Laundering Regulations (MLR) 2007 Act', which came into effect in December 2007. From the 26 June 2017 the MLR were superseded by the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017.

Whistleblowing - originally agreed by the Standards Committee in 2004. The whistleblowing policy has been reviewed using the British Standards Institute (BSI) Whistleblowing Arrangements Code of Practice for 1998:2008 and the Enterprise and Regulatory Reform Act (ERRA) which received royal assent on 25 April 2013. The ERRA includes major changes to employment law which will impact considerably on whistle-blower protection. The policy has also been reviewed to ensure it is in line with the Public Concern At Work publication; The Whistleblowing Commission - Report on the effectiveness of existing arrangements for workplace whistleblowing in the UK, published in November 2013.

Gifts and Hospitality and Registering Interests – originally agreed by Audit Committee in February 2009.

5. Key Issues and proposals

- 5.1 The general aim of all the Council’s counter fraud policies is to reduce the occurrence and impact of fraud, corruption and bribery on the organisation and provide an effective channel of communication for anyone who has concerns or suspicions of malpractice.
- 5.2 No changes have been made to the Whistleblowing Policy.
- 5.3 The Anti-Fraud, Corruption and Bribery Policy has been amended to reflect the change made to the Council’s key contact at KPMG and to recognise the new Money Laundering, Terrorist Financing and Transfer of Fund Regulations 2017.
- 5.4 The gifts and hospitality and registering interest policy has been amended to formalise the approval process of gifts and hospitality received by the Chief Executive.
- 5.5 Taking into consideration the new Money Laundering, Terrorist Financing and Transfer of Fund Regulations 2017, the Council’s Anti-Money Laundering Policy and Procedure has been refreshed to ensure it complies with the new regulations. The revised policy and procedures is attached at Appendix 1.
- 5.6 All the remaining policies can be viewed by using the following link;

<http://intranet/services/Counter%20Fraud%20and%20Corruption/Pages/default.aspx>

Financial and legal implications	
Finance	There are no specific financial implications arising from the adoption of these counter-fraud policies.
Legal	The Council’s counter-fraud policies assist in good governance and probity of Council actions and decision-making.

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	10.11.2017

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

List of appendices

Appendix 1 – Revised Anti-Money Laundering Policy and Procedures

arm/aud/cr/17/21117jb2



Anti-Money Laundering Policy and Procedures

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

Draft Updated November 2017

1 Introduction

- 1.1 Historically, legislation seeking to prevent the laundering of the proceeds of criminal activity was aimed at professionals in the financial and investment sector. However, more recently it has been recognised that those involved in criminal and terrorist conduct were able to 'clean' the proceeds of crime through a wider range of businesses and professional activities, including Local Authorities.
- 1.2 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017), which transposed the Fourth EU Money Laundering Directive into UK Law, were laid before Parliament on 22 June 2017 and commenced on 26 June 2017. These obligations impact on certain areas of local authority business and, as under the previous regulations of 2007, require local authorities to maintain internal procedures to prevent the use of their services for money laundering. A key difference of the 2017 Regulations is to require relevant persons to adopt a more risk-based approach towards anti-money laundering, particularly in the conduct of due diligence. Determining the appropriate level of due diligence requires analysis of risk factors based on the EU Directive and which are set out in the MLR 2017.
- 1.3 The council will ensure that it adheres to the relevant legislation and in particular:
- Ensure those staff most likely to be exposed to or suspicious of money laundering are aware of the requirements and obligations placed on the council and on them as individuals;
 - Provide targeted training for those staff considered to be most likely to encounter money laundering; and
 - Make arrangements to receive and manage the concerns of staff about money laundering reporting as necessary to the National Crime Agency (NCA) and potentially other bodies including Her Majesty's Revenue and Customs (HMRC).
- 1.4 This policy applies to all employees of the council, elected members, agency staff and consultants and should be read in conjunction with the Council's Anti-Fraud, Corruption and Bribery Policy.

2 Definitions

2.1 What is Money Laundering?

Money Laundering means:

- Concealing, disguising, converting, transferring or removing criminal or terrorist property;
- Entering into or becoming concerned in an arrangement that a person knows or suspects is facilitating the acquisition, retention, use or control of property purchased through the proceeds of crime or terrorism; or
- Acquiring, using or possessing criminal or terrorist property.

2.2 Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

The Money Laundering Regulations and the Proceeds of Crime Act require organisations in the “regulated sector” and those conducting what is referred to as “relevant business” to adopt certain procedures to help control the transfer of money and assets. Under legislation there are two main types of offences that may be committed by anyone:

- Money laundering offences
- Failure to report money laundering offences

2.3 Definition of a Relevant Business

“Relevant business” is defined with reference to the activities undertaken. Not all of the Council’s business is “relevant” and it will mainly be those officers conducting accountancy, audit, legal and property transactions who will be carrying out relevant business. Examples at Wyre Council could include the following:

- Accepting deposits in advance of a service being provided;
- Arranging / managing investments and loans;
- Legal services involvement with financial or property transactions;
- Collection or refund of money from debtors or rate payers including both Council Tax and Non-Domestic rates;
- Business services in relation to the formation and management of Companies or Trusts and;
- Dealing in goods of any description by way of business wherever a transaction involves accepting a total cash payment in excess of £5,000.

3 The Obligations of The Council

3.1 The following elements represent the main requirements of an Anti-Money Laundering Policy:

- Appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from staff of suspected money laundering activity;
- Implement a procedure that requires staff to report suspicions of money laundering;
- Have procedures for staff in checking and verifying the identity of clients and others dealing with the Council; (i.e we must ‘*know our customers*’;)
- Maintain adequate records; and
- Train relevant staff.

3.2 Not all of the Council’s business is ‘relevant’ for the purposes of the legislation. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council, therefore all employees are required to comply with the Council’s Anti Money Laundering Policy in terms of reporting concerns regarding money laundering.

- 3.3 It is a requirement of the MLR 2017 that appropriate systems of internal control are in place to prevent activities relating to money laundering and terrorist financing. There must be management controls in place to identify the possibility that criminals may be attempting to launder money or fund terrorism, so as to enable appropriate action to prevent or report it to be taken. MLR 2017 ends “automatic” due diligence. Instead, a relevant person needs to consider both customer and geographical risk factors in deciding whether simplified due diligence is appropriate. Another change is the creation of a “black list” of high risk jurisdictions which, if involved in a transaction, makes enhanced due diligence and additional risk assessment compulsory. Guidance is available on the HMRC website (refer to table at the end of this policy).
- 3.4 It is management’s responsibility to implement systems of internal control capable of identifying unusual or suspicious transactions or customer activity and quickly report the details to the MLRO indicated in paragraph 4.1 below. Systems of internal control should include the following:
- Identification of senior management responsibilities.
 - Provision of information to senior management on money laundering and terrorist financing risks.
 - Training of relevant employees on the legal and regulatory responsibilities for money laundering and terrorist financing controls and measures.
 - Documentation of the Council’s risk management policies and procedures.
 - Measures to ensure that money laundering and terrorist financing risks are taken into account in the day to day operations of the organisation.

4 The Council’s Procedures

- 4.1 The Council’s MLRO is the Head of Finance (Section 151 Officer), and can be contacted as follows;

Clare James
Head of Finance (Section 151 Officer)
Civic Centre, Breck Road
Poulton le Fylde
FY6 7PU

Telephone 01253 887308
Email clare.james@wyre.gov.uk

- 4.2 In the absence of the MLRO, contact the Deputy MLRO

Mary Grimshaw
Senior Solicitor
Address as above

Telephone 01253 887610
Email mary.grimshaw@wyre.gov.uk

4.3 Reporting Procedure

Where a member of staff knows or suspects that money is being laundered or is concerned about their involvement in such activity, this must be disclosed to the MLRO or Deputy. This disclosure should be within hours of it coming to the attention of the member of staff as opposed to days or weeks later. A member of staff who fails to make such a disclosure **MAY BE LIABLE TO PROSECUTION**.

The report to the MLRO should be made using the pro-formas which are located on the Councils Intranet.

Even if you have not reported the matter to the MLRO, if you know or suspect that such a disclosure has been made and you mention it to someone else, this could amount to a tipping off offence. Be very careful what you say and to whom, in these circumstances. Any person found guilty of tipping off or prejudicing an investigation offence is liable to imprisonment (maximum five years), a fine or both.

4.4 Procedure following the Report

Once a report has been made to the MLRO the member of staff must comply with the following:

- The member of staff will need to follow any directions given by the MLRO or by the NCA. This may include continuing with the transaction in order to avoid raising suspicion that the laundering has been detected;
- The member of staff will cooperate with the MLRO and NCA during any subsequent investigation;
- The Member of staff must not make any further enquiries or investigate the matter themselves, as there may be a danger that the investigation by NCA could be compromised by alerting those engaged in the money laundering;
- The member of staff should not voice any suspicions to persons suspected of money laundering, as this may constitute the criminal offence of "Tipping Off"; and
- The member of staff shall not make any reference on a client file to a report having been made to the MLRO. Under Data Protection legislation a client may exercise their right to see their file and therefore would see any note of the report thereby 'tipping them off'.

4.5 Duties of the MLRO

The MLRO will follow the procedures below upon receiving a report from a member of staff:

- Enter the date of receipt of the report in the relevant section of the report;

- Acknowledge receipt of the report and advise the member of staff of the timescale in which a response will be made as well as giving any immediate instruction as deemed appropriate;
- Consider the report and undertake any other reasonable enquiries in order to decide whether a report to NCA is required. Guidance from the NCA was produced in October 2010 relating to the information required (<http://www.nationalcrimeagency.gov.uk/publications/732-guidance-on-submitting-better-quality-sars/file>);
- If the MLRO concludes there are reasonable grounds to suspect money-laundering activity may be taking place but has a good reason for non-disclosure then a note must be made. Consent may then be given for an on-going or imminent transaction to proceed. A reasonable excuse could include matters such as legal professional privilege (the MLRO must liaise with the Council's Legal Services to decide if legal professional privilege applies in any particular case);
- If the MLRO concludes there are reasonable grounds to suspect money laundering activity may be taking place or that consent from NCA is required before a transaction can proceed, the standard NCA report form will be completed. Note: the transaction in question cannot proceed until either NCA has given specific consent or else consent is deemed through the expiry of a relevant time limit without objection from NCA;
- If the MLRO concludes there are no reasonable grounds for suspecting or knowing money-laundering activity may be taking place this will be noted on the report and approval will be given for the transaction to proceed accordingly; and
- The MLRO must ensure that all reports received from members of staff and all reports subsequently made to NCA are retained for a minimum of six years in a confidential file kept specifically for that purpose.

4.6 Client Identification Process

This procedure must be followed by members of staff under the following circumstances.

Where the council is carrying out relevant business

AND....An on-going business relationship is formed with a client/third party

OR....Is engaged in a one-off transaction involving payment by, or to the client/third party of £5,000 or more

OR....Is engaged in a series of linked transactions involving total payment by, or to the client/third party of £5,000 or more

OR....It is known or suspected that a one-off transaction (or a series of them) involves money laundering.

Before any business is undertaken the client identification procedure set out below must be adhered to.

Identification Procedure

Satisfactory evidence of identity of the client/third party must be obtained upon taking instructions or as soon as practicable thereafter.

For inter departmental transactions, documentation must be retained that constitutes evidence that the client identification procedure has been followed. For dealings with external clients, evidence will be in the form of written instructions on the organisations letterhead at the outset of the matter. If it is a new client then further evidence may be necessary such as a company search via Companies House. In either case the documentation that constitutes evidence of compliance with the client identification procedure should be clearly marked on the client's records.

Suitable documentary evidence in the case of transactions with individuals would be a copy of a passport or driving licence with a photograph together with correspondence showing the individual's name and address.

In every case evidence of compliance with the client identification procedure shall be retained on file for at least five years from the end of the business relationship.

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or transaction **CANNOT PROCEED**.

4.7 Record Keeping Procedure

Each section of the Council conducting relevant business must maintain for five years records of:

- client identification evidence obtained; and
- details of all relevant business transactions carried out for clients.

This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

The precise nature of the records is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation. An example may be distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In reality, staff will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

There are various levels of 'due diligence', the regulations require due diligence to be carried out on a risk sensitive basis (taking account of customer and geographical risk factors), so that:

- Under MLR 2017 simplified due diligence is only permitted where it is determined that the business relationship or transaction presents a low risk of money laundering or terrorist funding, taking into account the risk assessment
- ‘Enhanced due diligence’ (Regulation 33) for those with a high-risk status, for example remote transactions where the customer is not physically present to be identified would require additional appropriate documents to be requested.
- The ‘beneficial owner’, the individual that ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted, should be identified.
- The business relationship should be scrutinised throughout its existence and not just at the beginning.

The council may rely on due diligence undertaken by those regulated by the FSA or supervised by a listed professional regulator e.g. the Solicitors’ Regulation Authority. Any information obtained may be used as evidence in any subsequent investigation by the relevant enforcement authorities into money laundering.

4.8 Measuring the Effectiveness of the Policy

The Council will carry out regular training / refresher training to provide assurance that the policy is known and understood by the Council’s employees, elected members, agency staff and consultants.

4.9 Additional Guidance

The Proceeds of Crime Act 2002	http://www.legislation.gov.uk/ukpga/2002/29/contents
The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 2017	http://www.legislation.gov.uk/uksi/2017/692/contents/made
The Terrorism Act 2000	http://www.legislation.gov.uk/ukpga/2000/11/contents
National Crime Agency (NCA)	http://www.nationalcrimeagency.co.uk
HMRC Guidance	https://www.gov.uk/guidance/money-laundering-regulations-your-responsibilities

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Annual Audit Letter 2016/17

Wyre Borough Council

—
October 2017

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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 Amanda Latham, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew 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.

The contacts at KPMG in connection with this report are:

Amanda Latham

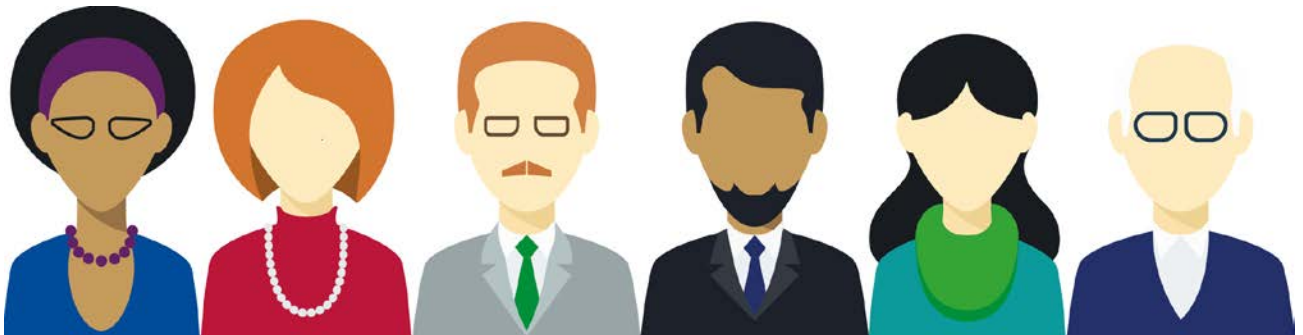
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Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at Wyre Borough Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.



VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 19 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

Coast Protection Scheme

The Authority is the administrating body for a significant £63.2m coast protection scheme at Rossall. The project represents a significant undertaking for the Authority, which has a responsibility to manage the deployment of resources appropriately and in a manner which delivers value for money. There is a risk that if the Authority does not have appropriate arrangements to exercise informed decision making over the deployment of this significant tranche of grant funding, that value for money will not be achieved.

Our work consisted of reviewing the arrangements put in place by the Authority for managing and monitoring the Coast Protection Scheme. This included:

- Interviewing officers of the Authority to develop our understanding of the systems and processes in place for managing the project;
- Reviewing documentation to confirm that these systems and processes are operating effectively; and
- Reviewing the formal and informal arrangements for reporting on progress to the Cabinet and to the Council.

The findings of our work on this significant risk indicate that the Council has established effective arrangements for managing and monitoring this process. Council officers attend regular project meetings with Project Officers. Spend profile is monitored and project risks are continuously assessed to ensure that they are appropriately mitigated.

Our work in connection with this significant risk has not identified any issues which would indicate that the Authority has not put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section one

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 19 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Financial statements audit

We are pleased to report that we did not identify any material misstatements.

We did identify a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). The Authority amended its Statement of Account for all of these presentational matters prior to approval of the final accounts.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

High priority recommendations

We did not raise any high priority recommendations in connection with our audit for 2016/17.

Certificate

We issued our certificate on 19 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

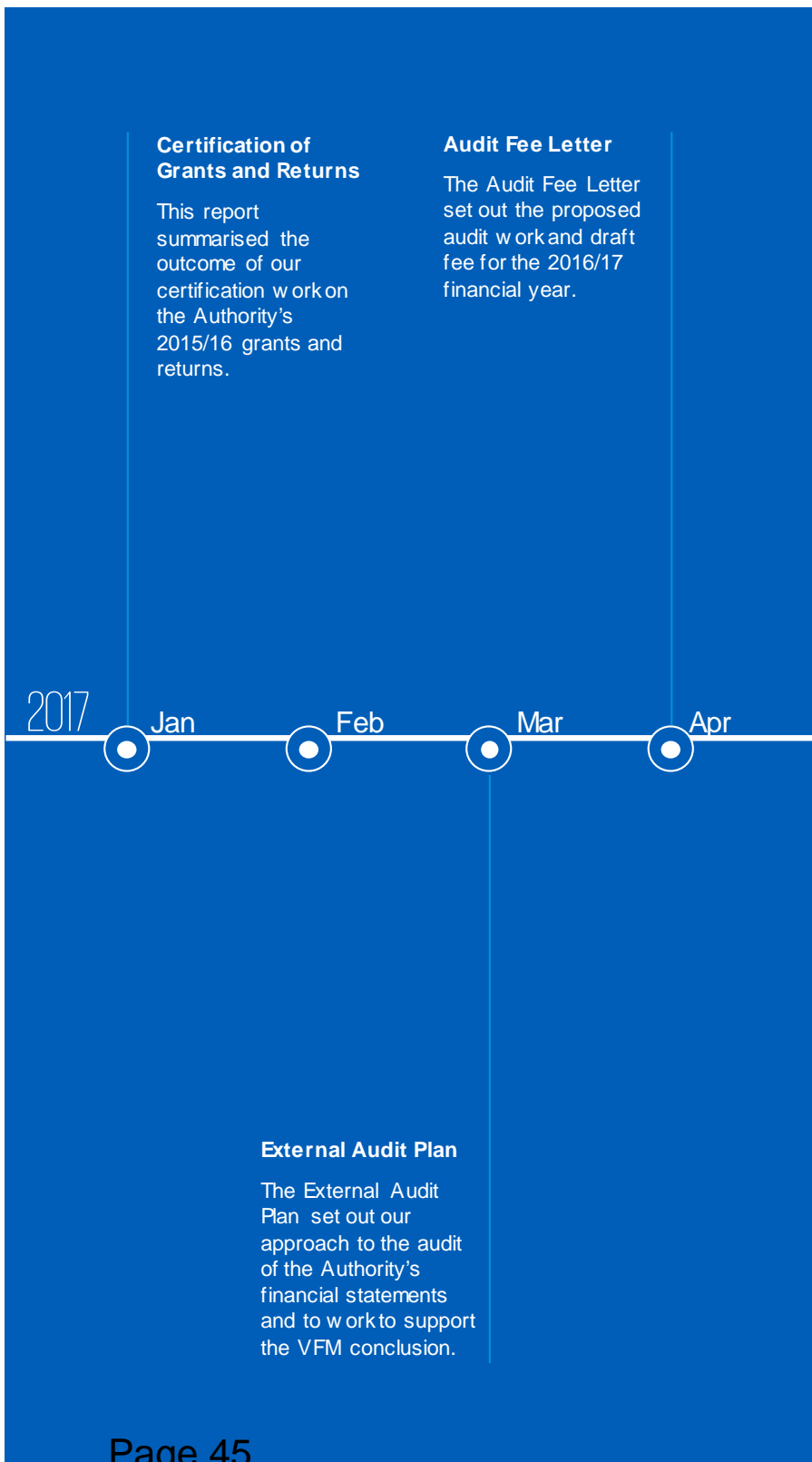
Our fee for 2016/17 was £48,662, excluding VAT. This was in line with the planned fee for 2016/17, and with the 2015/16 scale fee set by PSAA. Further detail is contained in Appendix 2.

Appendix 1

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee pages on the Authority's website at www.wyre.gov.uk.





Annual Audit Letter

This Annual Audit Letter provides a summary of the results of our audit for 2016/17.

Report to Those Charged with Governance

The Report to Those Charged with Governance summarised the results of our audit work for 2016/17 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Auditor's Report

The Auditor's Report included our audit opinion on the financial statements, along with our VFM conclusion and our certificate.

Appendix 2

Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit of the Authority was £48,662, which is in line with the planned fee.

Our fees are still subject to final determination by Public Sector Audit Appointments.

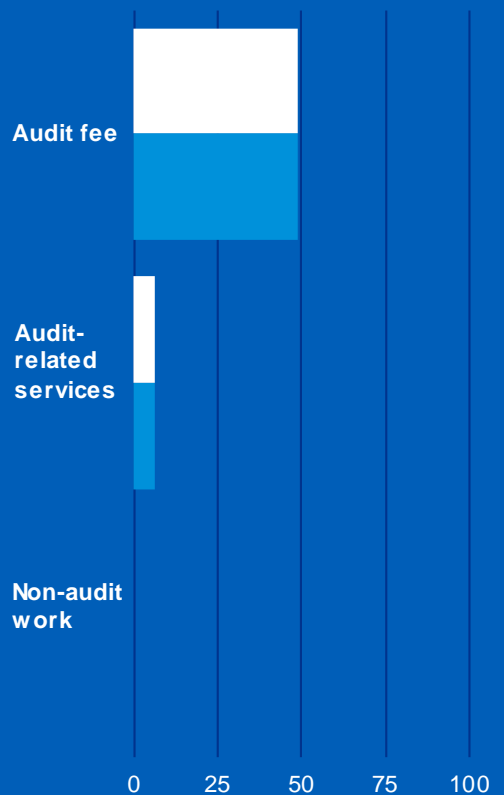
Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

Other services

We did not charge any additional fees for other services.

External audit fees 2016/17 and 2015/16 (£'000)



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