



Wyre Borough Council
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Please ask for : Democratic Services
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Audit Committee Agenda

**Audit Committee meeting on Tuesday, 24 May 2016 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 8 March 2016.
6. **Training Re: Statement of Accounts 2015/16**

Presentation by the Corporate Director of Resources.
7. **Review of Effectiveness of Internal Audit** (Pages 5 - 84)

Report of the Corporate Director of Resources.
8. **Internal Audit Annual Report 2015/16** (Pages 85 - 120)

Report of the Corporate Director of Resources.
9. **Annual Governance Statement 2015/16** (Pages 121 - 134)

Report of the Corporate Director of Resources

- 10. External Audit Annual Audit Fee 2016/17** (Pages 135 - 142)
Letter from the Council's External Auditors, KPMG
- 11. Items for Information** (Pages 143 - 144)
- Work programme and scale of fees 2016/17
- 12. Periodic Private Discussion with External Auditor, KPMG**
- 13. Time and Date of Next Meeting**
Tuesday 28 June at 6pm



Audit Committee Minutes

Minutes of the meeting of the Audit Committee of Wyre Borough Council held on Tuesday 8 March, 2016 at the Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillor R Amos	Councillor Ingham
Councillor E Anderton	Councillor McKay
Councillor Ballard	
Councillor Barrowclough	
Councillor Fail	
Councillor Holden	

Apologies: Councillors Collinson, Greenhough, Jones, Moon, A Turner and Wilson.

Officers present:

P Davies – Corporate Director of Resources and Section 151 Officer
C James – Financial Services Manager
J Billington – Head of Governance
C Leary – Democratic Services Officer

Non-members present:

C Paisley, Audit Manager of KPMG
Cllr I Amos

Members of the public present:

None

Audit. 39 Welcome and apologies of absence

The Chairman welcomed everyone to the meeting of the Audit Committee.

Apologies as detailed above.

Audit. 40 Declarations of interest

None.

Audit. 41 Confirmation of minutes

RESOLVED that the minutes of the Audit Committee meeting held on 10 November 2015 were confirmed as a correct record.

In relation to minute Audit 33, the Head of Governance provided an update on the focus on information security e-learning test, detailing those members who had still not completed the exercise; namely Cllr's Matthew Vincent, Beavers and Collinson. It was acknowledged that two of the three members reported experiencing IT problems and the third member may have completed something similar in their role as a County Councillor.

Joanne also explained that the Head of Built Environment had not been invited to attend the meeting as agreed previously, due to her involvement in the follow-up audit being completed by Mazars. Joanne confirmed that the results of this work would be circulated as soon as possible.

Clare James was introduced to the Members as the new S151 Officer from the 1 July 2016.

Audit. 42 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 took members through each of the core functions highlighting one minor spelling amendment. In relation to the core function concerning risk management, Joanne explained that the strategic risk workshop had taken place the previous day with the Chairman in attendance. The Chairman commented that the workshop was very informative and it was clear that key risks facing the organisation were being robustly discussed and documented.

Joanne reminded committee members of the opportunity to shadow the Senior Auditor and observe auditing practices. Joanne also explained that following publication of the internal audit reports on the intranet, members could suggest items for discussion by the committee, which could involve attendance by the relevant manager.

RESOLVED:

1. that the Audit Committee approved the previously agreed terms of reference, including the one minor correction, accurately reflecting the role of the committee.
2. that the new terms of reference be recommended to full Council on 14 April 2016, for approval.

Audit. 43 Annual Internal Audit Plan 2016/17

The Head of Governance introduced the report and explained how The Accounts and Audit Regulations 2015 require a "relevant authority, to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, whilst taking into account public sector internal auditing standards or guidance."

Joanne took members through each section of the audit plan explaining how audits are selected to appear in the plan and how it is decided how many days will be allocated to each piece of work.

It was suggested that the individual members of the new Corporate Management Team be invited to attend an audit committee during 2016/17, with a view to supporting the committee, especially recognising their role in ensuring effective governance arrangements are in place. It was suggested that the Chief Executive be invited to attend to discuss the Election Accounts report once issued and the new Service Directors be invited to discuss the progress they have made in relation to the 'position statements for new Service Directors' audit that will be completed in early April.

RESOLVED: That the Annual Internal Audit Plan for 2016/17 be approved.

Audit. 44 **Certification of Claims & Returns Annual Report 2014/15**

Chris Paisley, Audit Manager at KPMG introduced the report, which summarised the results of their work on the certification of Wyre Council's 2014/15 claims and returns namely, the Housing Benefit subsidy claim. Chris explained that they did not identify any 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 2014/15 report be noted.

Audit. 45 **External Audit Plan 2015/16**

Chris 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 conclusion. For the 2015/16 audit year there is a new overall criterion supported by three new sub-criteria.

Members were informed that the audit fee had reduced by 25% when compared to 2014/15.

Chris explained that Andrew Smith would replace Tim Cutler with immediate effect and that he would replace Jillian Burrows as our new Audit Manager.

The Chairman asked Chris if he anticipated any problems with bringing the date for the certification of the accounts forward by two months in 2017/18. He stated that he didn't envisage any problems. Cllr Fail asked Chris to give some examples of what would be considered as a "significant risk", Chris referred to the robustness of financial planning and long-term resilience but also went on to say that arrangements being in place and not necessarily the outcomes were key. Auditor judgements would also be made as to the level of material uncertainty.

Resolved: That the External Audit Plan 2015/16 from KPMG, the External Auditors, be noted.

Audit. 46 **Appointing your External Auditor from 2018/19 onwards**

Chris delivered a presentation on considerations for the local government sector, explaining that the date by which the appointment of Wyre's external auditors must be made, is 31 December 2017. The Corporate Director of Resources confirmed that the Local Government Association had suggested a sector led approach. The item was also tabled for discussion at the next meeting of the Chief Financial Officers taking place on Friday 18 March.

Resolved: That the appointing your external auditor presentation by KPMG, be noted.

Audit. 47 **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 Corporate Director of Resources, the External Auditor and the Democratic Services Officer left the room for this item.

Audit. 48 **Date and time of next meeting**

Audit Committee Meeting, Tuesday 24 May 2016 at 6pm in Committee Room 1.

The meeting started at 6pm and finished at 7.15pm, with an additional 30 minutes for the private discussion.

Date of Publication: Wednesday 16 March 2016

arm/ex/audit/mi/080316



Report of:	Meeting	Date	Item no.
Corporate Director of Resources (S151 Officer)	Audit Committee	24 May 2016	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 May 2016 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 Internal Auditor) can be relied upon as a key source of evidence in the Annual Governance Statement.

4.2 From the 1 April 2013 'Public Sector Internal Audit Standards' (PSIAS) replaced the 'Code of Practice for Internal Audit in Local Government'. In Local Government these standards are mandatory for all principal local authorities subject to the Accounts and Audit Regulations 2015. 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 Chief Internal Audit 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 (Chief Internal Auditor) 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 Corporate Director of Resources (S151 Officer).

5.2 Of the three actions identified during the last review in May 2015, only one remains outstanding relating to documenting in the final audit report when VFM work has been conducted during a review. This will be implemented when the audit report format is revised later this year. Other than this outstanding recommendation carried forward, there are no further actions that require attention. 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

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

Health and Safety	x
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report author	telephone no.	email	date
Joanne Billington	01253 887372	joanne.billington@wyre.gov.uk	13.05.2016

List of background papers:		
name of document	date	where available for inspection

List of appendices

Appendix 1 – Review of the effectiveness of Internal Audit - May 2016

arm/audit/cr/16/2405jb1

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.

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 and Senior Auditors job descriptions.</p> <p>As Internal Audit is responsible for the Council's Risk Management and Insurance arrangements, the Council uses independent auditors (LCC/Mazars) 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 LCC/Mazars 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> <p>All reports are reviewed by the Head of Governance prior to issue to ensure that</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					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>The Annual Audit Plan is risk based.</p> <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			<p>Auditors are bound by their ethical standards both in the Internal Audit Charter / Code of Ethics and with their own professional bodies, i.e. CIPFA / IIA.</p> <p>Elements such as these are a requirement of the role and, as such, are referred to in the job description and are reviewed quarterly via the Council's performance appraisal process.</p>
	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. 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 LCC/Mazars 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 Councils 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 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. She 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 Corporate Director of Resources.
	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			See Audit Charter. There are no assurances provided to parties external

Ref	Conformance with the Standard	Y	P	N	Evidence
	external to the organisation?				to the organisation.
	o) Define the nature of consulting services?	N/A	N/A/	N/A	The Council's internal audit team do not undertake any consultancy work.
	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.
	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 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	Y			Access rights and reporting lines are documented in the Audit Charter. The

Ref	Conformance with the Standard	Y	P	N	Evidence
	and the chair of the audit committee?				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 LCC/Mazars or externally if there is a threat to objectivity.
	b) Engagement?	Y			The Head of Governance 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. LCC / Mazars are used in the instances where objectivity is threatened.
	d) Organisation?	Y			Internal Audit has limited responsibilities outside audit responsibilities, thus protecting its independence and objectivity.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<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 Corporate Director of Resources (Section 151 Officer) who sits on the Corporate Management Team.
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 Corporate Director of Resources who sits on the Corporate Management Team.
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			With effect from 1 July 2016, 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 plans, reports and action plans are discussed effectively with the board?	Y			(Note: prior to 1 July 2016, the CAE is one of 12 HOS who together, with the 3 members of Management Team act as
	c) Ensure that he or she is sufficiently senior and independent to	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	be able to provide credibly constructive challenge to senior management?				the Council's Senior Leadership Team.
	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 the CAE			N	The appointment / dismissal of the CAE is not reflected in the Council's Constitution as an elected member responsibility and falls to the Corporate Director of Resources (Section 151 Officer) who is responsible for

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>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 CAE and the 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 Corporate Director of Resources, who sits on the Corporate Management Team, completes the CAE performance appraisal.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Y			Feedback on the CAE's performance is provided by the Chairman of the Audit Committee following the March meeting and prior to the annual performance appraisal taking place.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	Y			The 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. Compliance with the Internal Audit Charter / Code of Ethics. 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.
	<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	N/A	N/A	N/A	There has been no impairment of independence or objectivity.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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)?				The CAE has operational responsibility for Insurance, Business Continuity, Risk Management, Electoral Registration, Democratic Services and Information Governance. Assurance is sought from LCC/Mazars in respect of these services operating effectively.
	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 engagements been overseen by someone outside of the internal audit activity?	Y			The CAE has operational responsibility for Insurance, Business Continuity, Risk Management, Electoral Registration, Democratic Services and Information Governance. Assurance is sought from LCC / Mazars 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 LCC / Mazars 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

Ref	Conformance with the Standard	Y	P	N	Evidence
					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 2015/16. 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.
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	N/A	N/A	N/A	The Council's Internal Audit Team do not undertake any consultancy work.

Ref	Conformance with the Standard	Y	P	N	Evidence
	client before the engagement was accepted?				
	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.
3.3	1200 Proficiency and Due Professional Care				
	<i>1210 Proficiency</i>				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?		P		AAT and part CIPFA. The Head of Governance (CAE) has now registered to become a Chartered Auditor.
	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	Y			Last updated in April 2016.

Ref	Conformance with the Standard	Y	P	N	Evidence
	define the required qualifications, competencies, skills, experience and personal attributes?				
	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 and satisfies the required competencies for the role. All staff at Lancashire County Council and Mazars is either fully MIIA or CIPFA qualified.
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	Y			The LCC IT Audit Team are used if a more complex IT audit is required. For example, a recent audit of Software and Hardware Management required IT knowledge and skills.
	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 (Chief Internal Auditor) 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 LCC IT auditors where appropriate.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 LCC CAAT software if the need arises.
	<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			Guidance, information and advice is available to the auditor when designing tests to ensure adequacy and effectiveness of governance, risk management and control. 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

Ref	Conformance with the Standard	Y	P	N	Evidence
					several CIPFA publications which assist with the consideration of audit, governance and risk. Namely; <ul style="list-style-type: none"> • CIPFA – Delivering Good Governance in Local Government • 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			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. The Auditor will also be alert to any non-compliance issues raised by officers.
	e) Cost of assurance in relation to potential benefits?	Y			All work is risk based. If additional work is required, the Senior Auditor will agree this with the Head of Governance (Chief Internal Auditor) subject to a cost/benefit analysis being undertaken.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do internal auditors exercise due professional care during a consulting engagement by considering the:				
	a) Needs and expectations of clients, including the nature, timing and communication of engagement results?	N/A	N/A	N/A	There are no such engagements 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 (Chief Internal Auditor). A further 70 days are outsourced to LCC and Mazars.
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 (Chief Internal Auditor) to ensure the audit has been conducted in accordance with professional standards and requirements of any auditing publications. The skills and competencies of the

Ref	Conformance with the Standard	Y	P	N	Evidence
					Senior Auditor are annually reviewed as part of the Council's performance appraisal scheme. It is understood that all LCC and Mazars auditors 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;

Ref	Conformance with the Standard	Y	P	N	Evidence
					<ul style="list-style-type: none"> • 6 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 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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the CAE maintain the QAIP?	Y			All aspects of the programme are routinely monitored.
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 Corporate Director of Resources (S151 Officer).
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?	Y			<p>A self- assessment is performed annually. In addition, an external review of the effectiveness of the internal audit function is carried out every 5 years, in accordance with the requirements of the PISIAS. Wyre's review will take place in March 2018.</p> <p>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.</p>
	<i>1311 Internal Assessments</i>				
LGAN	Does the CAE ensure that audit work is allocated to staff with the	Y			Whilst this is limited due to the size of

Ref	Conformance with the Standard	Y	P	N	Evidence
	appropriate skills, experience and competence?				the audit team, LCC will be used if technical IT skills are required or CAAT software is required.
	Do internal assessments include ongoing monitoring of the internal audit activity, such as:				
	a) Routine quality monitoring processes?	Y			All audit work is subject to a full review before the report is published. This includes a full review of working papers, evidence found, testing completed and validity of recommendations. An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years.
	b) Periodic assessments for evaluating conformance with the PSIAS?	Y			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.
LGAN	Does ongoing performance monitoring include comprehensive performance targets?	Y			The Senior Auditor is set targets / objectives annually as part of the

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>performance appraisal scheme. Performance against these targets/objectives is monitored regularly.</p> <p>The Audit Committee receives six monthly updates on completion of the audit plan.</p> <p>Reporting timescales are published in the Audit Charter.</p> <p>In addition, ad-hoc benchmarking is conducted with the other Lancashire Internal Audit services. The use of external providers (Mazars and LCC) 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's between LCC / Mazars 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 LCC and Mazars. The Wyre audit plan is monitored day-to-day with a report being considered by Audit Committee every six months.

Ref	Conformance with the Standard	Y	P	N	Evidence
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 followed up by the Head of Governance (CAE).
	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? 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.	Y			The periodic self-assessment is undertaken by the Head of Governance (CAE) and reviewed by the Corporate Director of Resources (Section 151 Officer). 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.
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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>1312 External Assessments</i>				
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	Y			The external assessment is to be completed in March 2018.
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 Corporate Director of Resources 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	Y			The Audit Committee agree that an external self-assessment will be carried

Ref	Conformance with the Standard	Y	P	N	Evidence
	assessor or assessment team with the board?				out by the Head of Governance (CAE), scrutinised by the Corporate Director of Resources and presented to the Audit Committee and that every 5 years the review will be independently 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				

Ref	Conformance with the Standard	Y	P	N	Evidence
	<p>b) complexity</p> <p>c) sector (ie the public sector)</p> <p>d) industry (ie local government), and</p> <p>e) technical experience.</p> <p>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</p>				
	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 Corporate Director of Resources (Section 151 Officer) and

Ref	Conformance with the Standard	Y	P	N	Evidence
					presented to the Audit Committee.
	Note that:				
	a) the results of both external and periodic internal assessment must be communicated upon completion	Y			The internal assessment is reported to Audit Committee annually in May. The External Assessment will take place in March 2018. The last peer review was completed in 2009 and the results were presented to the Audit Committee.
	b) the results of ongoing monitoring must be communicated at least annually	Y			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. Both the Internal Audit Annual Report and the Internal Audit Charter refer to the QAIP and its ongoing monitoring.
	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 minor gaps identified from the last review of effectiveness of the internal audit service in May 2015 have been

Ref	Conformance with the Standard	Y	P	N	Evidence
					referred to in both the annual audit report and the annual governance statement.
	<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 Corporate Director of Resources (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?	Y			The gaps / non-compliance with the PSIAS have been documented within this checklist and will be presented to the Audit Committee in May 2016.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?			N/A	There are no significant deviations that require reporting in the AGS.
4	Performance Standards				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the	Y			This is demonstrated by achievement of the audit plan, the annual audit report,

Ref	Conformance with the Standard	Y	P	N	Evidence
	internal audit charter?				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; <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

Ref	Conformance with the Standard	Y	P	N	Evidence
					are put in place to facilitate improvement.
	b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	Y			Every audit review will give consideration to these areas. Action plans / risk registers will be formulated if 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			A risk based 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 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. The assurance framework is documented in the AGS.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 of Ethics.
	b) How the internal audit service will be developed in accordance with the internal audit charter?	Y			Development of the Internal Audit Service will be identified as part of this self-assessment and also at the 5 year external assessment. Improvements are also discussed and documented in the service plan each year. Progress on meeting these improvements is monitored through the performance appraisal system.
	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			Local and national risks are identified through the following; <ul style="list-style-type: none"> • Strategic / Operational risk workshops • Networking and attendance at Group Auditor meetings; • Meetings with the External

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>Auditor; and</p> <ul style="list-style-type: none"> • Reading and Research. <p>The Audit Committee are given the opportunity to comment on the work in the plan and discuss emerging risks either locally or nationally.</p> <p>The 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

Ref	Conformance with the Standard	Y	P	N	Evidence
					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), 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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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.
	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 2015/16.
	b) The requirement to use specialists, eg IT or contract and procurement auditors?	Y			LCC auditors will be used if a specialist IT audit review is to be conducted. LCC are also used for most of the financial work due to their access to CAAT software.
	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

Ref	Conformance with the Standard	Y	P	N	Evidence
					(CAE) activities is listed separately on the audit plan.
	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 Corporate Director of Resources (S151 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	N/A	N/A	N/A	There are no such engagements undertaken presently.

Ref	Conformance with the Standard	Y	P	N	Evidence
	add value and to improve the organisation's operations before accepting them?				
	Are consulting engagements that have been accepted included in the risk-based plan?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	<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. The 2015/16 audit plan was amended in August 2015 and presented to Audit Committee.
	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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<i>2030 Resource Management</i>				
	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 2012 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?	Y			There is an opportunity for the Head of Governance (CAE) to comment on sufficiency of resources where appropriate; although it is considered

Ref	Conformance with the Standard	Y	P	N	Evidence
	This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.				that the resource available is currently sufficient to deliver the audit plan. The team is small; however this is supported by a partnership with LCC/Mazars 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 Councils 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 Corporate Director of Resources (S151 Officer) to discuss the progress made in

Ref	Conformance with the Standard	Y	P	N	Evidence
					implementing the audit 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 Corporate Director of Resources (S151 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>

Ref	Conformance with the Standard	Y	P	N	Evidence
	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	Y			An agreed work programme is in place 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 LCC / Mazars and Wyre Council.
	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 LCC/Mazars 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 2016.
	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			Regular risk workshops take place with Heads of Service and the risk registers are on BRIAN for all staff to view. Audit reports are issued to the staff responsible for the area being audited. The Audit Committee and the Executive receive regular updates on risk management. Governance assurance questionnaires are completed by key officers on an annual basis.
	d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	Y			All audit reports are issued to clients and published on the Intranet and available for all staff / members to view. External Auditor communication is presented to Audit Committee. Regular updates are presented to Council on the work of Audit Committee
	Does the internal audit activity assess and make appropriate recommendations for improving the governance process as part of accomplishing the above objectives?	Y			Governance issues will be reviewed as part of the audit as is risk management, health and safety and performance management.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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. LCC 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 2016/17 work programme and additional ethics related work will follow if appropriate.
	<i>2120 Risk Management</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 regarding the:				
	a) Achievement of the organisation's strategic objectives?	Y			Considered at the Strategic risk workshop when reviewing the Business

Ref	Conformance with the Standard	Y	P	N	Evidence
					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 and also how the organisation itself manages fraud risk?	Y			Fraud risks are considered during the operational and strategic risk workshops. The Council takes part in the NFI process.

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>The Head of Governance (CAE) regularly tests compliance to the Council's counter fraud polices.</p> <p>Information concerning potential fraudulent activity is shared (National reports and Lancashire Audit Group).</p> <p>There is a 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.
	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			<p>The Audit and Risk Management section only facilitate the process and hold and maintain the risk registers.</p> <p>Risk owners are assigned for each risk identified and they are responsible for ensuring that risk is managed during the</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					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, 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	N/A	N/A	N/A	There are no such engagements undertaken presently.

Ref	Conformance with the Standard	Y	P	N	Evidence
	control processes?				
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:				
	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			

Ref	Conformance with the Standard	Y	P	N	Evidence
	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:				There are no audits performed for parties outside of the organisation.
	a) Objectives?	N/A	N/A	N/A	
	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	N/A	N/A	N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence
	on distribution of the results of the engagement and access to engagement records)?				
	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.
	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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 auditors used the criteria in their evaluation of governance, risk management and controls?	Y			A control matrix is used to evidence that all risks identified have been tested and 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.

Ref	Conformance with the Standard	Y	P	N	Evidence
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. <u>Action c/f from 2015</u> The audit report is to be amended to document when VFM work has been conducted.
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	N/A	N/A	N/A	
	<i>2220 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	Y			Agreed at the start of the audit. If during the audit the scope has to be extended to ensure the objectives of the audit are met, this is agreed with the 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:				

Ref	Conformance with the Standard	Y	P	N	Evidence
	a) Systems?	Y			The terms of reference document identified the systems, records, premises and personnel the auditor will require assess 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			See audit of Thornton Little Theatre when ran by Paul Nicholas School of Dancing.
	b) Records?	Y			
	c) Personnel?	Y			Audit plan for 2015/16 includes a review of YMCA.
	d) Premises?	Y			
	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.
	Where significant consulting opportunities have arisen during an	N/A	N/A	N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence
	assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?				
	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.
	<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:				

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 findings and the overall conclusions and recommendations.
	b) Analysing information?	Y			
	c) Evaluating information?	Y			
	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

Ref	Conformance with the Standard	Y	P	N	Evidence
					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 The 2015/16 audit plan was amended and approved in September 2016 to allow additional work required to complete the Information Governance action plan.
	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 opinion. Review notes are provided to the Senior Auditor after each review if further work is required or certain areas require
	b) Analyse sufficient information?	Y			
	c) Evaluate sufficient information?	Y			
	d) Document sufficient information?	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
					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 following:				
	a) intentional wrongdoing	Y			The key risks around these areas are identified at the start of the audit.
	b) errors and omissions	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) poor value for money	Y			The Senior Auditor is experienced in the areas she is required to audit throughout the Council and remains alert to any weaknesses / control failings.
	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.
	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	N/A	N/A	N/A	Audit files have not been released to

Ref	Conformance with the Standard	Y	P	N	Evidence
	and/or legal counsel as appropriate before releasing such records to external parties?				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.
4.5	2400 Communicating Results				
	Do internal auditors communicate the results of engagements?	Y			Audit reports are issued as appropriate to Corporate Directors, Heads of Service, Key operational staff with the

Ref	Conformance with the Standard	Y	P	N	Evidence
					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 recommendations prioritised according to risk?	Y			Wyre recommendations are given a 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 /

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>efficiencies in service delivery.</p> <p>Mazars recommendations are prioritised as either 1 (fundamental), 2 (significant) and 3 (housekeeping). Appropriate timescales can be agreed with the auditor.</p> <p>LCC 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 requirements?	Y			Evidence is disclosed in support of the audit conclusion subject to confidentiality requirements.

Ref	Conformance with the Standard	Y	P	N	Evidence
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 auditors 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 Corporate Director of Resources 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 partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the	N/A	N/A	N/A	Internal Audit have not been asked to provide assurance to any partnership organisations.

Ref	Conformance with the Standard	Y	P	N	Evidence
	organisation to which they are obliged to provide internal audit services?				
	<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 and reported to Audit Committee.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<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	
	c) The impact of non-conformance on the engagement and the	N/A	N/A	N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence
	engagement results?				
	<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 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	
	Where any significant governance, risk management and control issues were identified during consulting engagements, were	N/A	N/A	N/A	There are no such engagements undertaken presently.

Ref	Conformance with the Standard	Y	P	N	Evidence
	these communicated to senior management and the board?				
	<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 Corporate Director of Resources (S151 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.
	b) Any scope limitations?	Y			In providing an overall opinion on the

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) The consideration of all related projects including the reliance on other assurance providers?	Y			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.
	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 AGS 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	
LGAN	e) A disclosure of any impairments or restriction in scope?	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
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			Internal review feedback forms are referred to along with a comparison of the work actually carried out compared to that planned.
	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, LCC or Mazars will select all level 1 and a sample of level 2 and 3 recommendations to ensure they have been implemented as intended.
	Where issues have arisen during the follow-up process, has the	N/A	N/A	N/A	Whilst no issues have arisen to date, up-to-date action plans would be provided

Ref	Conformance with the Standard	Y	P	N	Evidence
	CAE considered revising the internal audit opinion?				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			See LCC/Mazars review of action plans which will drive future audit.
	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 Corporate Director of Resources (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.

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Report of:	Meeting	Date	Item no.
Corporate Director of Resources (S151 Officer)	Audit Committee	24 May 2016	8

INTERNAL AUDIT ANNUAL REPORT 2015/16

1. Purpose of report

- 1.1 To approve the Internal Audit Annual Report for 2015/16 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	13.05.2016

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

List of appendices

Appendix 1 – Internal Audit Annual Report 2015/16

Appendix 2 – Risk Management Progress Report – Operational Risks

Appendix 3 – Strategic Risk Management Review

arm/audit/cr/16/2405jb2

INTERNAL AUDIT ANNUAL REPORT 2015/16

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

Members of the Audit 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 (2015/16) 70 days of audit support was contracted out to Mazars at a rate of £264 per day. 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 Mazars to ensure that quality and standards are maintained.

Electronic internal feedback review forms are distributed after each audit review and in 2015/16 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 2015/16 originally comprised a total of 22 audit reviews. However, due to additional work that was required by the Audit Team to implement the recommendations made in the Information Governance review completed by LCC, an amended audit plan was agreed by the Audit Committee in September 2015 which comprised of 19 audit reviews. 2 reviews have been rolled to the 2016/17 financial year (Compliance with Financial Procedure Rules and Payment Card Industry Data Security Standards), and 1 review was no longer required (Committee Reports – Implications and Reporting Deadlines). In addition, the time allocated in 2015/16 to participate in the peer review for compliance with the Public Sector Internal Audit Standards has also been rolled to 2016/17 due to Wyre’s peer review not taking place until March 2018.

100% of the amended audit plan for 2016/16 will be completed within the agreed number of days and to budget.

Audit Work Performed in 2015 / 2016

Summarised below are the reviews that have been performed and reports issued in 2015/16. 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.

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TITLE	STATUS	RECOMMENDATIONS				Overall Assurance	Summary
		1	2	3			
Follow-up 2014/15 Audit Recommendations	Work Completed	N/A	N/A	N/A	N/A	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 in the agreed timescales. There was an increase in the number of actions that had not been implemented in the timescales agreed and the Head of Governance (Chief Internal Auditor) will document the reasons for non-implementation and monitor the progress going forward. A larger allocation of days has been scheduled in 2016/17 to undertake a larger sample of previously agreed audit recommendations to ensure that this is not the same across the board.	

TITLE	STATUS	RECOMMENDATIONS				Overall Assurance	Summary
		1	2	3			
Debtors, Creditors and Budgetary Control	Final Report Issued	0	2	2	Adequate	<p>The audit work undertaken allows Mazars to give Adequate Assurance over the controls in place in respect of the Council's Debtors, Creditors and Budgetary Control processes. 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 undertake a review of self-approval authorisation rights and limits to ensure that these are rationalised in line with approved operational need and then reviewed on a periodic basis thereafter; • A reconciliation between the Civica and NatWest payment files should be undertaken at each payment run to identify any duplicate payments; • The Sundry Debt Policy should be reviewed and updated on a routine basis and the minimum values for debtor invoices to be raised should be reiterated to relevant staff; and • Management should remind staff of their procurement responsibilities and processes to be undertaken in Civica in order to ensure that all payments made are subject to appropriate three-way matching to an authorised order and GRN where appropriate. 	
Treasury Management	Final Report Issued	0	0	6	Substantial	<p>The audit work undertaken allows Mazars to give Substantial Assurance over the controls in place in respect of the Council's Treasury Management processes. 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 review and update the Treasury Management Practices and Strategy documents so they are in line with operational procedures; • The Council should develop and communicate procedural guidance notes in relation to investments processes; inclusive of roles and responsibilities, authorisation process, and documentation retention requirements; • The Finance Team should include the current credit worthiness rating from Capita on the summary spreadsheet 	

TITLE	STATUS	RECOMMENDATIONS				Summary
		1	2	3	Overall Assurance	
						<p>for each account. This should be reviewed on a regular basis to ensure the appropriate mix of live investments. Where credit worthiness ratings have changed adversely such that investments exist beyond the current advised risk period this should be clearly identified;</p> <ul style="list-style-type: none"> • Training records and certificates should be maintained and retained by HR for all staff training provision; • Bank account reconciliations should be reviewed, signed and dated as evidence of approval on a timely basis; and • The IT Computer Use Policy should be reiterated to relevant staff.
Transparency Code Compliance	Final Report Issued	0	0	2	Substantial	<p>The audit work undertaken allows Mazars to give Substantial Assurance over the controls in place in respect of compliance to the Transparency Code. 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 investigate the feasibility of creating an additional webpage to signpost users of the website to relevant areas relating to the Code and review the tagging of published data sets to maximise the likelihood of accurate data returns upon key word web searches by website users; and • Ensure all data sets published are in line with the 'must' information publication requirements, in particular around Procurement Information and Grants and the Fraud Data sets.
Housing Benefit Overpayments	Final Report Issued	0	3	1	Adequate	<p>The audit work undertaken allows Mazars to give Adequate Assurance over the controls in place in respect of the Council's Housing Benefit Overpayments processes. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • A review of debt collection agency services should be undertaken, to determine whether or not existing agencies

TITLE	STATUS	RECOMMENDATIONS				Summary
		1	2	3	Overall Assurance	
						<p>used provide good value for money in respect commission rates charged, service provision and recovery performance. Dependent upon the outcome of this review, debt collection agency services should then be subject to a formal tender exercise or commission rates negotiated with the existing agencies. Service level agreements or contracts should be put in place and agreed with each debt collection agency. In addition, agency recovery performance and commission rates should be reviewed on at least an annual basis and undertaken a full value for money review and/or tender exercise on a three to five yearly basis;</p> <ul style="list-style-type: none"> • Procedures, such as independent spot checks, should be implemented to ensure that recovery rates are updated within Northgate to reflect the recovery rates set by DWP. Where multiple overpayments are present on an account across more than one period, there should be a review of the account to confirm the accuracy of the agreed recovery rate being applied; • The Council should reiterate guidance to relevant staff in respect of issuance of claimant notifications/letters. The Council should monitor the issuance of claimant letters on a routine basis (e.g. through spot checking or exception reporting); and • The Council should review the cases identified and write off debts where appropriate. Procedural guidelines should be documented and communicated to staff, to ensure consistency in the application of operational procedures and facilitate the training of new staff.

TITLE	STATUS	RECOMMENDATIONS				Summary
		1	2	3	Overall Assurance	
Care and Repair	Final Report Issued	0	5	1	Adequate	<p>The audit work undertaken allows Mazars to give Adequate Assurance over the controls in place in respect of the Council's Care and Repair function. 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 undertake a full review of data recording practices to reduce duplication and identify opportunities to improve efficiency. Clear requirements in terms of data retention and management should be formally defined and applied; • The cash receipting process should be reviewed and streamlined to reduce inefficiency and the potential for error and loss of funds; • The Care and Repair Manager should liaise with the Monitoring Officer at Lancashire County Council to agree reporting requirements and frequencies, and thereafter ensure that these are met to demonstrate service performance and compliance with requirements set out within the Collaboration Agreement; • Handyperson charges should be clearly documented and communicated. Fees should be subject to periodic review and revision and the reasons for any works not charged should be clearly recorded by the Handyperson and reviewed; • Core works fees should be clearly documented and communicated. Fees should be subject to periodic review and revision. The Agreement to Provide a Home Improvement Agency Service form should be reviewed and updated. The form should then be completed in advance of commencing works to record the deposit and full expected fees payable by the client for all works. Fees payable by charity funders should be clarified and charged where appropriate. Reasons for any fees not charged for should be

						<p>clearly recorded and reviewed; and</p> <ul style="list-style-type: none">Operational guidance notes and process charts should be documented, in conjunction with the review and update of documentation and the future use of spreadsheets and the FMIS database (or their replacements) as per the recommendations above.
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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		
Regulation of Investigatory Powers Act (RIPA)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No report has been issued for this piece of work. The objective of the work was to carry out a health check prior to the RIPA Inspectors visit to ensure all previous recommendations had been implemented. No issues were identified.
E Benefit System	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"> • A contractual agreement with Victoria Forms has not been established; • Access permissions have not been reviewed in accordance with current operational requirements; • The completion of claims are occasionally delayed whilst officers are on leave; and • Change in circumstance forms are failing to integrate into the Northgate system.
Fleetwood and Poulton Market	Final Report Issued	1	5	2	0	2	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 procedures manual at Fleetwood market still requires updating; • First aid training has not been renewed for all staff; • Risk assessments are not renewed annually and communicated to all staff; • Fire instructions are not displayed and communicated to staff and traders and evacuations are not routinely completed; • Copies of CCTV data are not securely stored or destroyed when they are no longer required; • Portable appliance testing has not been completed at Fleetwood Market since

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>2012; The temperature readings identified by the Legionnaires inspections have not been reviewed to establish if these are correct; Maintenance inspections are not documented where a hazard is not identified; Maintenance repairs are completed subject to funding; and</p> <ul style="list-style-type: none"> The National Association of British Market Authorities (NABMA) maintenance schedule should be adopted and regularly reviewed with the responsible officers to ensure building maintenance duties are completed.
<p>Housing Options</p>	<p>Final Report Issued</p>	1	3	6	0	0	<p>Good</p>	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> The revised Homelessness Strategy completed in 2014 has not been formally accepted or published; All of the documented procedures completed in 2009 have not been reviewed and updated; Case file reviews are not signed off by a Senior Officer in all instances; Data sharing agreements have not been established; Paper and electronic files are not routinely destroyed in accordance with the storage and retention policy; The phone ahead fax policy is not documented; Evidence of valid fire certificates and public liability insurance has not been requested for bed and breakfast accommodation;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> No evidence is held that the risk assessments have been communicated to staff; The spreadsheets for the DHIS and Landlord incentive schemes do not accurately reflect current expenditure; and Purchase orders are not raised for the goods and services requested by the Housing Options Service.
Thornton Little Theatre Page 97	Final Report Issued	0	2	4	0	0	Good	Areas have been identified where improvements could be made to strengthen the control environment, namely; <ul style="list-style-type: none"> No signage is in place informing customers that CCTV is in operation; A summary showing the calculation of the charge levied for each event is not held on file; Event forms are not fully completed showing all charges and payments received; Weekly fire alarm tests are not completed or regular fire training provided to staff; The security alarm is not externally monitored; and PAT testing had not been completed.
Waste Contract & Monitoring Arrangements (follow-up)	Final Report Issued	0	0	1	0	1	Excellent	Areas have been identified where improvements could be made to strengthen the control environment, namely; <ul style="list-style-type: none"> Written procedures are required to control the data collected through the use of 360 degree cameras; and Supervisory audits are not completed equally by the Council for all rounds or documented in all instances.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Development Management	Final Report Issued	0	1	6	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"> • Pre-application advice files are not routinely closed on the IDOX system when completed or following non-receipt of a fee; • Completed validation checklists are not retained in all instances and the valid date accurately recorded on the IDOX system; • Applications are not processed within the statutory time period in all instances; • Extensions of time are not agreed to extend the 8 or 13 weeks period or renewed in all instances and extensions of time are not agreed prior to the expiry of the 26 week period in all instances; • Debit card refunds are not authorised prior to payment; • The start date for appeals is not accurately recorded in all instances; and • Appeal costs are not currently recorded on the IDOX system.
Private Sector Housing – Grants & Enforcement	Final Report Issued	0	7	5	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"> • Decisions made by the priority panel are not documented in all instances; • Means tests are not independently checked; • A competitive tendering exercise has not been completed to select DFG contractors; • Standard pricing for DFG work has not been reviewed since 2007;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • Two or three quotations are not requested for non-standard DFG works; • Evidence of a contractor’s insurances are not requested annually; • Purchase orders are not raised when requesting services for DFG’s; • Invoices for DFG works are not paid in a timely manner in all instances; • Complaints are not responded to within 5 days in all instances; • A number of complaints have been outstanding for some time and require review; • The findings of an inspection are not recorded on the case record in all instances; and • Invoices are not issued in a timely manner to recover the cost of an enforcement notice.
CCTV – Compliance with Code of Practice	Final Report Issued	0	0	4	1	0	Good	<p>In addition to the 2 outstanding audit recommendations from the previous audit further areas have been identified where improvements could be made to strengthen the control environment. Namely;</p> <ul style="list-style-type: none"> • The privacy impact assessment are not reviewed annually; • The Community Safety data sharing agreement requires reviewing to ensure this includes the CCTV system; • Details of the complaints procedure are not displayed on the CCTV website; and • The annual report should be expanded to include the procedures and safeguards in place and to include an evaluation of the alternative interventions to surveillance cameras.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
YMCA	Final Report Issued	2	2	6	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"> • A signed copy of the amended partnership agreement was outstanding; • The equipment inventory has not been updated since 2011; • An annual financial performance report has not been produced since 2011/12; • YMCA do not revise their annual budgets increasing the risk of the subsidy being exceeded; • A separate capital repair and maintenance budget no longer exists; • The asbestos surveys at Fleetwood and Garstang Leisure Centres require updating and no evidence of the surveys carried out at Thornton and Poulton has been received; • Monthly legionella temperature readings are not being completed at all centres; • The fire risk assessments at the outdoor changing rooms have not been reviewed since 2010; • A business continuity plan has not been developed; • Quarterly reports of the works undertaken by the Building Repair and Maintenance Group are not submitted to the Partnership Board; and • Confirmation that adequate contents insurance is in place is required.
Council Tax Support Scheme	Draft Report Issued							The overall objective of the audit was to review the systems and procedures in place surrounding the Council Tax Support Scheme and to identify any areas of potential weakness

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								and / or risk and provide an overall opinion as to whether the controls in place are adequate and effective.
Council Tax Debt Recovery – New workflow process	Draft Report Issued							The overall objective of the audit was to review the systems and procedures in place surrounding the Council Tax Debt Recovery processes 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.
Compliance to Anti-Social Behaviour, Crime & Policing Act 2014	Draft Report Issued							The overall objective of the audit was to review the systems and procedures in place ensuring compliance to the Anti-Social Behaviour, Crime and Policing Act 2014 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.

Operational Audits to be rolled forward into the 2016 /17 Audit Plan

2 audits have been rolled forward into the 2016/17 audit plan, which was agreed by the Audit Committee in March 2016 to allow additional work to be carried out following the Information Governance review completed by LCC. The rolled audits are as follows;

- Payment Card Industry Data Security Standards; and
- Compliance with the Financial Procedure Rules.

Other audit work undertaken:

Investigations

There has been one internal investigation carried out during 2015/16 in relation to staffing issues at the Copse Road Depot. 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 in the process of 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 2016 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 2015 there has been 38 gifts and hospitality items registered, compared to 68 items registered in 2014/15. A reminder was issued to staff in December 2015 reminding them of the policy and the need to report any gifts or hospitality received.

Information Governance

The Council's on-line training package - 'Focus on Information Security' has been completed by all staff. All new starters are required to complete and pass the course within four weeks of their start date.

There are still two elected Members who have not completed the course and the Head of Governance is liaising with both members to ensure the course is completed as soon as possible.

In 2015, LCC carried out a review of the Council's information governance framework. An action plan was formulated and extra resources have been committed to ensure the actions are implemented in accordance with agreed timescales. The main area requiring attention focused on the development of an Information Asset

Register, a classification scheme and identifying asset owners. At the time of the audit the council was in the process of developing corporate retention schedules, however, these schedules have now become the Council's Information Asset Registers and include a classification scheme and asset owners. It should be noted that as no Information Asset Registers are currently in place for the People and Places Directorate they will continue to use the DCLG's 'Local Government Classification Scheme' which can be found on the intranet under the Information Governance page.

External training with the nominated 'Information Asset Owners' has been scheduled to take place in June 2015 to ensure they are aware of their responsibilities as nominated asset owners.

Anti-Fraud and Corruption Awareness

All the Council's counter fraud policies are located on BRIAN to allow staff and Elected Members easy access. It is intended to refresh staff awareness in Summer 2016 with a questionnaire to both staff and elected members to highlight any gaps in knowledge. This has previously been deferred pending the completion of the staff survey.

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 major gaps with compliance and only minor action was highlighted as requiring attention. 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 Councils 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;
- 6 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 Sections 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 2016 there were no significant deviations to report.

Security Sweeps

Security sweeps of the building were carried out in December 2015 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. A further security sweep will also take place in the next few months which will focus on communal areas accessible by Lockwood Surgery; for example the reception area.

Benefit Fraud

During 2015/16 the Compliance Team have taken the following action;

- Formal Cautions : 5 cases totalling £12,082
- Administrative Penalties (overpayments) 0 cases totalling £0
- Administrative Penalties (fines : 30% or 50%) 0 cases totalling £0
- Criminal Prosecutions : 12 cases totalling £59,242.16

It should be noted that these figures only represent the period 1 April 2015 to 31 July 2015. With effect from the 1 August 2015 the housing and council tax benefit fraud function transferred to the DWP. At that time, a total of 33 open active investigations were transferred to the DWP and the results of these investigations are not reported above.

Since 1 August 2015 the team has concentrated its resources on preventative and investigative functions. These include council tax evasion, business rates avoidance issues and housing benefit/council tax support general claim reviews.

The Council is also in the process of looking to introduce 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 both Wyre Council and Mazars during 2015/16 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	Total
Number of Audits	1	7	1	0	0	3	12

Mazars Reports

Level of Assurance	Substantial Assurance	Adequate Assurance	Limited Assurance	No Assurance	Still in draft	Total
Number of Audits	2	3	0	0	0	5

No reports have been issued for the follow-up review of 2014/15 audit recommendations and the RIPA inspection work. Further details of the work carried out in these two areas can be found in the summary of audit work performed earlier in this report.

Internal Audit's Opinion on the Council's Control Environment

It is pleasing to note that only one audit has been issued an audit opinion of 'fair', and that the actions that management have agreed in response to the findings will, if implemented satisfactorily, resolve the issues in an appropriate manner. No areas reviewed have fallen into the audit opinion of 'weak' or 'poor' (Wyre Council), or 'limited' or 'no assurance' (Mazars) and therefore it is the opinion of the Chief Internal Auditor (Head of Governance) that the Council continues to maintain an adequate and effective control environment with no significant control issues identified that require disclosure in the Council's 2015/16 Annual Governance Statement.

It should be noted that at the time of publishing the Annual Audit Report there were still three reports that were still at 'draft' stage, however the draft reports contain no significant issues 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 August.

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

7 March 2016

Report Contents

- 1.0 Introduction**
- 2.0 Executive summary**
- 3.0 Approval**
- 4.0 Monitoring**
- 5.0 Directorate operational risk registers**

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
- Philippa Davies – Corporate Director of Resources
- Marianne Hesketh – Service Director of Performance & Innovation
- Mark Billington – Service Director of People & Places
- Mark Broadhurst – Service Director of Health & Wellbeing
- Joanne Billington – Head of Governance
- Cllr L McKay – Audit Committee Chairman
- Management Board

1. Introduction

- 1.1 On the 7 March 2016 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 involved both the current and future members of the Corporate Management Team, 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 2016/17.

2. Executive Summary

- 2.1 The last half yearly review of the strategic risk register was completed in October 2015 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 4 new risks and concluded that 2 of the original 7 risks could be removed from the register. (Appendix D describes the risks and the reason for their removal from the register). The 5 risks remaining from the original register were reviewed in terms of likelihood and impact resulting in 4 retaining the same rating and 1 being amended.
- 2.3 A review of the risk appetite was completed resulting in the low likelihood and critical impact risks remaining below the risk appetite. There are now 5 risks above the risk appetite and 4 risks below. In addition, a decision was taken to reduce the size of the risk matrix from a 6 x 4 to a 5 x 4 matrix removing the very high likelihood category. As a result of this change the highest rated risks would therefore be equal to a catastrophic impact and a high likelihood. The completed matrix is shown in Appendix A – Risk Profile.
- 2.4 Following the assessment the 5 risks above the risk appetite are as follows:

Audit & Risk Management – Strategic Risk Review 2016

Risk Number	Description
18	Central government funding is insufficient to provide the current level of service.
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 and further cost pressures.
35	Three Senior Members of the current senior leadership team will leave the organisation early in 2016/17 resulting in a loss of knowledge and increased expectations on those remaining.
38	The Local Plan is delayed due to the lack of response from other statutory consultees.

- 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 Management Board and 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 2016.

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 / May 2016 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 2016/17.

Appendix A - Risk Profile

Likelihood
Page 113

A			18 23	
B		36 37	26 35 38	
C			22 28	
D				
E				
	IV	III	II	I

Likelihood:
 A - High
 B - Significant
 C - Low
 D - Very Low
 E - Almost Impossible

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

Impact

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 £3m.	<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 / Significant	The use of council assets is not	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. 	M Hesketh

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		maximised leading to insufficient funding to deliver capital projects and further cost pressures.		<ul style="list-style-type: none"> • Additional borrowing costs will exacerbate the funding gap • Assets will deteriorate and maintenance costs will increase • Resident satisfaction levels will reduce 	
35 (New)	Critical / Significant	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 	Management Team
38 (New)	Critical / Significant	The Local Plan is delayed due to the lack of response from other statutory	The Council is required to publish a Local Plan and timescales for completion have been published.	<ul style="list-style-type: none"> • Reputational issues will arise • Further costs will need to be incurred • The Council may be 	Garry Payne

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		consultees		subject to 'special measures' imposed by the DCLG	

Appendix C - Risks below the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
22	Critical / Low	The leisure review does not generate the required rate of return for 2015/16.	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 • Efficiency savings projected 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 (New)	Marginal / Significant	The Government is keen to see further devolution which will impact on capacity as new methods of working are	There are a number of devolution deals being negotiated across the country and in Lancashire there are ongoing discussions about combined authorities and unitary status.	<ul style="list-style-type: none"> • Council priorities are not delivered • Allocation of resource may not ultimately result in the desired outcome

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
		explored.		
37 (New)	Marginal / Significant	Enhancements cannot be delivered due to the lack of external grant funding.	The Council is reliant on external funding to significantly improve its offer with recent examples including improvements to Cleveleys and Rossall Sea Defences, Heritage Funding for Memorial Park and The Mount and Coastal Communities funding delivering the 5 for Fleetwood scheme.	<ul style="list-style-type: none"> • Lack of capital investment • Declining visitors numbers • Increased repair and maintenance costs • Declining resident satisfaction levels

Appendix D - Risks removed from the register

Risk reference per TEN	Reason for removing from register	Risk Description	Vulnerability	Consequence
16	<p>The Council plays an active part in the Wyre and Fylde Health and Well-being partnership. An Overview and Scrutiny task group also recently considered the effectiveness of the CCG's in relation to local residents, making relevant recommendations (O&S 7/12/15).</p> <p>A decision will be made at the operational risk workshop if this risk will feature.</p>	<p>The public health reforms have seen the transfer of the public health role to the County Council and the creation of clinical commissioning groups supported by health and well-being boards. Residents in the Wyre Area will be represented by four such groups depending on where they live. Great Ecclestone residents will be represented by the Preston CCG, Garstang by the Lancaster CCG, Cleveleys by the Blackpool CCG and the remainder by Fylde & Wyre CCG.</p>	<p>The opportunities following the changes to both health and clinical commissioning groups are not exploited to improve the services we provide to our communities</p>	<ul style="list-style-type: none"> • The health needs of our residents are not met • There is a reduction in the support previously received via specific funding e.g. exercise by prescription • Funding is not passed down by the CCG to fund the provision of council services resulting in cuts to services

Risk reference per TEN	Reason for removing from register	Risk Description	Vulnerability	Consequence
32	A revised council structure will be implemented in 2016/17 resulting in three senior members of the current SLT leaving the council. This risk has now been replaced – see risk 35.	The reduction in funding for local government is coupled with increasing public expectations meaning that there will be a growing gap between expectation and reality.	There is insufficient capacity within the senior leadership team to deliver customer expectations.	<ul style="list-style-type: none"> • Satisfaction levels with services will decline • Increased level of complaints • Staff satisfaction with Wyre as an employer will decline • Reputational issues for the Council



Report of:	Meeting	Date	Item no.
Corporate Director of Resources (S151 Officer)	Audit Committee	24 May 2016	9

ANNUAL GOVERNANCE STATEMENT 2015/16
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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 June 2016 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 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 members of the Audit Committee in May 2008.

4.2 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.

4.3 The framework recognises that effective governance is achieved through six core principles;

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

5. Key Issues and proposals

5.1 The AGS is attached at Appendix 1 and has been prepared following the completion of ‘Governance Assurance Questionnaires’ that have been completed by key officers of the Council. 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 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	13.05.16

List of background papers:		
name of document	date	where available for inspection

List of appendices

Appendix 1 – Annual Governance Statement 2015/16

arm/audit/16/2405jb3

ANNUAL GOVERNANCE STATEMENT 2015/16

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 2016 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 six core principles and 18 supporting 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 MEETING THE CORE PRINCIPLES

5.1 The tables below demonstrate how each of the core principles has been upheld during the 2015/16 financial year.

Core Principle No 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

Supporting Principles

- Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users.
- Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning.
- Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money.

Specific Evidence

- The Council has made a clear statement of the Authority's 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 which are reported quarterly to the Overview and Scrutiny Committee.
- Annual financial statements are produced with an easy to read executive summary.
- 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 web site.

- The Medium Term Financial Plan, budgets and Capital Programme are soundly based and are designed to deliver the Council's strategic priorities.
- The Council embraces community engagement and involvement and uses its Shaping Your Neighbourhood initiative to encourage 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 and Lancaster North Clinical Commissioning Groups.
- 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.

Core Principle No 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Supporting Principles

- Ensuring effective leadership throughout the Authority by being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.
- Ensuring that a constructive working relationship exists between elected Members and officers and that the responsibilities of Members and officers are carried out to a high standard.
- Ensuring relationships between the Authority, its partners and the public are clear so that each know what to expect of the other.

Specific Evidence

- 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.
- 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.
- The scheme of delegation was last reviewed in April 2016 in light of the recent senior management changes.
- 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.
- A comprehensive review of the Members Allowance Scheme is carried out every 3 years with an annual interim review being performed prior to 1 April. The last full review was reported to Council in January 2016.

- 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.
- 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 the partnership.
- Effective mechanisms exist to monitor service delivery through the Overview and Scrutiny arrangements and quarterly performance reports highlight where corrective action is necessary.
- Effective management arrangements are in place both at the top of and throughout the organisation.
- The Chief Executive is responsible and accountable to the Authority for all aspects of operational management and is required to attend regular performance appraisal meetings with the Leader.
- The Corporate Director of Resources (S151 officer) is responsible to the Authority 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.
- The authority has complied with the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- Financial Regulations and Financial Procedure Rules are reviewed annually by the Audit Committee.
- The Monitoring Officer is responsible to the Authority 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, S151 Officer and the Monitoring Officer.
- There is an established pay and grading structure for employees referred to as the Job Evaluation system and a process for appeals.
- There is an agreement between the Council and the YMCA identifying arrangements for the management of the Councils Health and Fitness Centres. A Recent Internal Audit review gave an overall opinion of 'Good'.

Core Principle No 3 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Supporting Principles

- Ensuring Authority Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- Ensuring that organisational values are put into practice and are effective.

Specific Evidence

- The Council has a set of values for its staff reflecting public expectations about the conduct and behaviour of individuals.
- The Council operates a formal complaints procedure.

- Established Codes of Conduct define expected standards of personal behaviour.
- Effective arrangements are in place to ensure that high standards of conduct for elected members are firmly embedded within the culture.
- Induction training is arranged for all newly elected members.
- Arrangements are in place to ensure that Members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.
- Systems and processes are designed in conformity with appropriate ethical standards, and are monitored to ensure their continuing effectiveness in practice.
- A register of interests is maintained for members and staff.
- An up-to-date register of gifts and hospitality is maintained and is reviewed annually by the Monitoring Officer.
- Anti-fraud and anti-corruption policies are in place and reviewed annually by Audit Committee.
- The Council uses an on-line e-learning package to promote information security; 'focus on information security'.
- Regular training is provided to elected members who sit on regulatory committees such as Planning or Licensing.
- Whistleblowing arrangements are in place and protect individuals raising concerns.
- Protocols are in place for partnership working.
- There is an effective Standards Committee.

Core Principle No 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Supporting Principles

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.
- Ensuring that an effective risk management system is in place.
- Using their legal powers to the full benefit of the citizens and communities in their area.

Specific Evidence

- The Council has an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall.
- 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.
- In accordance with the Accounts and Audit Regulations 2015, an annual assessment of the Council's systems of internal audit is carried out in May each year using the Public Sector Internal Audit Standards 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.

- As the Head of Governance (Chief Internal Auditor) has not yet attained a full Consultative Committee of Accountancy Bodies (CCAB) qualification, the Council is required in accordance with CIPFA's 'The role of the head of internal audit' to publicly state this in the Annual Governance Statement. The post holder does have over 16 years internal audit experience, holds the Association of Accounting Technicians qualification, is part qualified in the Chartered Institute of Public Finance and Accountancy qualification (CIPFA) and has now committed to complete the Chartered Internal Auditor qualification in September 2016.
- There are effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
- Arrangements are in place so that conflicts of interest on behalf of Members and officers are avoided.
- Arrangements are in place for whistleblowing, to which all staff and all those contracting with the Authority have access. The policy is reviewed annually by the Audit Committee.
- Effective, transparent and accessible arrangements are in place for dealing with complaints.
- An effective Audit Committee is in place, which is independent of the Executive and the 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.
- There is a calendar of dates for submitting, publishing and distributing timely reports that is adhered to.
- Those making decisions are provided with information that is fit for the purpose, relevant, timely and gives clear explanations of technical and financial issues and their implications.
- Effective arrangements are in place for determining the remuneration of senior staff.
- Proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision-making and used appropriately.
- Risk management is embedded into the culture of the Authority, 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.
- Strategic and Operational risk registers are maintained and workshops are held throughout the year to review current risks and identify new risks.
- 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.
- 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.

Core Principle No 5 - Developing the capacity and capability of Members and officers to be effective.

Supporting Principles

- Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
- Encouraging new talent for membership of the Authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

Specific Evidence

- The Authority assesses the skills required by Members and officers and makes a commitment to develop these to enable roles to be carried out effectively.
- Performance reviews are undertaken as part of the performance appraisal system.
- The Authority 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 Authority.
- Training programmes are tailored to meet individual needs and there are opportunities for Members and officers to update their knowledge on a regular basis. An induction programme is provided for all new members.
- 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.
- Career structures are in place for members and officers to facilitate succession planning.
- The Council has obtained the gold award for Investors in People.
- The Councillor Development Programme and Councillor Development Strategy is regularly reviewed and includes a skills framework for all Elected Member roles and responsibilities.

Core Principle No 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

Supporting Principles

- Exercising leadership through a robust scrutiny function, which effectively engages local people and all local institutional stakeholders, including partnerships and develops constructive accountable relationships.
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery, whether directly by the authority, in partnership or by commissioning.
- Making the best use of human resources by taking an active and planned approach to meet responsibilities to staff.

Specific Evidence

- A database of stakeholders with whom the authority engages is maintained on behalf of the Council by Wyre and Fylde Together.
- Staff consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.
- 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.
- The Shaping Your Neighbourhood initiative is currently being reviewed with a view to agreeing its future focus.
- Arrangements are in place to enable the Authority 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. (Shaping your Neighbourhood and the Wyre and Fylde Together consultation database)
- Corporate guidance has been issued on consultation and public involvement mechanisms offering practical steps and advice.
- A business plan is published annually giving information on the Authority's vision, priorities and performance measures which is shared with all staff, partners, elected members and the community.
- The Annual Efficiency statement is published with the Revenue Estimates.
- The Corporate Director of Resources (S151 Officer) is responsible for publishing annual accounts in a timely basis to communicate the organisation's activities and achievements, its financial position and performance.
- An executive summary supports the financial statements, which are statutorily produced as at 31 March each year.
- There are clear policies on how staff and their representatives are consulted and involved in decision-making.
- Periodic reports are produced on scrutiny function activity.
- The Authority as a whole is open and accessible to the community, service users and its staff and is committed to openness and transparency in all its dealings, including partnerships; subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.
- The Authority has been awarded a 3 star rating in the last annual SOCITM review

(March 2015).

- Wyre Voice, an information leaflet produced by the Council, is delivered to every household twice a year.
- The Authority complies with the Local Government Transparency Code 2015 and a recent audit review gave 'substantial assurance' that the Council was complying to the Code.
- The recent staff survey revealed positive results including that 92% think the Council is a good organisation to work for and 90% have a clear understanding about their duties and responsibilities.

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 Management Team holds a workshop, to identify and prioritise strategic risks and to produce action plans. 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 plans are presented to Management Board and Audit Committee and progress is monitored on a regular basis through the Management Team.

7.0 REVIEW OF EFFECTIVENESS

7.1 In accordance with the Accounts and Audit Regulations 2015, the Authority 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 authority is effective; and
- c) includes effective arrangements for the management of risk.

7.2 The Authority is also responsible for conducting each financial year a review of effectiveness of the system of internal control.

7.3 The Corporate Director of Resources (S151) 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 Corporate Director of Resources (S151 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 Authority on its risk management, governance and internal control environment. The Chief Internal Auditor's Annual report for 2015/16 concluded that the Council has an adequate and effective 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 Corporate Director of Resources (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 2014/15. This means that they are satisfied that the Council has proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness. To arrive at that conclusion they looked at the Council's financial governance, financial planning and financial control processes, as well as reviewing how the Council prioritises its resources, improves efficiency and productivity.

9.0 SIGNIFICANT GOVERNANCE ISSUES

9.1 There are no significant governance issues to report. Minor issues have been identified, which will be documented in an action plan that will be monitored by 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, during the months of March and April, key members of staff are required to complete a 'Governance Assurance Questionnaire'. Any issues highlighted are documented and this, together with an action plan, 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 control environment.

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 2016 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 2016 is satisfactory.



G PAYNE
CHIEF EXECUTIVE

arm/audit/cr/16/2405jb3



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 Wyre Borough Council
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Our ref Let-cp/1516/713

Contact Chris Paisley
 0161 246 4934

22 April 2016

Dear Philippa

Annual audit fee 2016/17

I am writing to confirm the audit work and fee that we propose for the 2016/17 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 Limited's (PSAA's) published work programme and fee scales.

Planned audit fee

The planned audit and certification fees for 2016/17 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2016/17	Planned fee 2015/16
Code of Audit Practice audit fee – Wyre Borough Council	£48,662	£48,662
Certification of housing benefit grant claims	£5,580	£5,676

PSAA has set the 2016/17 scale fees for all Code of Audit Practice audits at the same level as for 2015/16, thereby preserving the 25 per cent reductions that were applied that year, which in turn was in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012/13. The planned fee is in line with the scale fee. The planned certification fee is in line with the fee set by PSAA, which is a decrease on the 2015/16 fee due to a rebasing of certification fees

across all audited bodies, in order to better reflect the level of audit work involved in certifying each individual claim.

As we have not yet completed our audit for 2015/16 the audit planning process for 2016/17, 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

Following completion of the Audit Commission's 2014/15 accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. PSAA will distribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established by the PSAA Board.

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 2016/17

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.

CIPFA/LASAAC has confirmed that the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* will adopt the measurement requirements of the CIPFA *Code of Practice on Transport Infrastructure Assets* for highways network assets. CIPFA/LASAAC has indicated that it is unlikely that these changes will apply to district councils as it is unlikely that they hold assets which form part of the highways network, however this will need to be assessed by the Authority. If the Authority does hold material highways network assets then this change will require additional work in 2016/17, but PSAA has indicated that it is not appropriate to increase the scale fees to cover the costs of this work because the amount of work required at individual authorities will vary based on local circumstances. The fees for this additional work will therefore be discussed and agreed with you in due course and will be subject to PSAA's normal fee variation process. PSAA expects that the additional fees for a non-highways authority to be up to £5,000, where authorities are able to provide the information required and the auditor is able to rely on central assurance of the valuation models in use. This amount is indicative and therefore higher costs may be necessary.

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 2016/17 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 2016/17 claim for housing benefit subsidy to the Department for Work & Pensions.

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, I 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.

Our team

The key members of our audit team for the 2016/17 audit are:

Name	Role	Contact details
Andrew Smith	Director	andrew.smith2@kpmg.co.uk 0161 246 4056
Chris Paisley	Manager	christopher.paisley@kpmg.co.uk 0161 246 4934
Ali-Jarar Shah	Assistant Manager	ali-jarar.shah@kpmg.co.uk 0161 246 7358

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



Andrew Smith
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 2015/16;
- 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 IFRS-based Code of Practice on local Authority Accounting within your 2016/17 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- 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.

Improvements to the above factors may allow reductions to the audit fee in future years. 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 of the financial statements 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	February 2017
Report to those charged with governance (ISA260 report)	July 2017
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2017
Opinion on Whole of Government Accounts return	September 2017
Annual audit letter	October 2017
Certification of grant claims and returns	February 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. APB Ethical Standard 1 *Integrity, Objectivity and Independence* 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 the local authority.

- 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 2016 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.

arm/audit/cr/16/2405pd2



Public Sector Audit Appointments

21 March 2016

Subject: 2016/17 work programme and scale fees

Dear Ms Davies

Following consultation, Public Sector Audit Appointments (PSAA) has published the work programme and scale fees for the audit of the 2016/17 accounts of principal audited bodies.

There are no changes to the overall work programme for 2016/17. Scale fees have therefore been retained at the same level as the scale fees applicable for 2015/16, set by the Audit Commission before it closed in March 2015. The Commission reduced scale fees from 2015/16 by 25 per cent, in addition to the reduction of up to 40 per cent made from 2012/13.

Following completion of the Audit Commission's 2014/15 accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. PSAA will redistribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established by the PSAA Board.

The work that auditors will carry out on the 2016/17 accounts will be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.

The 2016/17 work programme documents and scale fees for individual audited bodies are now available for you to view on the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees>.

We hope you find this information useful. If you have any questions, please contact us by email at workandfeesconsultation@psaa.co.uk

Yours sincerely

Jon Hayes
Chief Officer

arm/audit/cr/16/2405pd1