



## **Audit Committee Agenda**

**Wyre Borough Council**  
**Date of Publication: 20 May 2019**  
**Please ask for : Roy Saunders**  
**Democratic Services and Scrutiny**  
**Manager**  
**Tel: 01253 887481**

**Audit Committee meeting on Tuesday, 28 May 2019 at 6.00 pm  
in the Council Chamber at the Civic Centre, Poulton-le-Fylde**

- 1. Election of Chairman**
- 2. Election of Vice Chairman**
- 3. Apologies for absence**
- 4. Declarations of interest**
- 5. Confirmation of minutes** (Pages 1 - 6)  
  
To approve as a correct record the minutes of the last meeting of the Audit Committee held on 12 March 2019.
- 6. Annual Review of Internal Audit Charter** (Pages 7 - 24)  
  
Report of the Head of Finance (Section 151 Officer).
- 7. Review of Effectiveness of Internal Audit** (Pages 25 - 106)  
  
Report of the Head of Finance (Section 151 Officer).
- 8. Internal Audit Annual Report 2018/19** (Pages 107 - 144)  
  
Report of the Head of Finance (section 151 Officer).
- 9. External Audit Annual Audit Fee 2019/20** (Pages 145 - 146)  
  
Letter from the Council's External Auditor (Deloitte).
- 10. Time and date of next meeting**  
  
Tuesday 18 June 2019 at 6pm in the Council Chamber.

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## Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 12 March 2019 at the Civic Centre, Poulton-le-Fylde.

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### **Audit Committee members present:**

Councillors R Amos, E Anderton, Beavers, Gibson, Ingham, McKay, Raynor, A Turner and Walmsley.

### **Apologies for absence:**

Councillor(s) Balmain, Greenhough, Holden, Moon and Wilson.

### **Other councillors present:**

Councillor I Amos.

### **Officers present:**

Clare James, Head of Finance and Section 151 Officer  
Joanne Billington, Head of Governance  
Karen McLellan, Senior Auditor  
Paul Hewitson, External Auditor (Deloitte)  
Roy Saunders, Democratic Services and Scrutiny Manager.

No members of the public or press attended the meeting.

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### **27        Declarations of interest**

None.

### **28        Confirmation of minutes**

**Agreed** that the minutes of the Audit Committee meeting held on 13 November 2018 be confirmed as a correct record.

The Chairman (Cllr McKay), confirmed, following concerns expressed after the last meeting, that none of the Audit Committee meetings scheduled for 2019 clashed with meetings of Fleetwood Town Council. The dates for Fleetwood Town Council meetings in the period January to May 2020 had not yet been published but, if the same pattern was followed as in the current year, there would be no clashes in that period either.

### **29        Review of Audit Committee's terms of reference**

The Head of Finance (Section 151 Officer) submitted a report on the annual review of the Committee's terms of reference.

The Head of Governance explained that, although no substantive changes were proposed to the Committee's responsibilities, the format of the revised terms of reference now being proposed had been changed to ensure that they took account of re-issued practical guidance for audit committees in local councils and police authorities from the Chartered Institute of Public Finance and Accountants (CIPFA). She confirmed that the revised terms of reference included reference to the Committee's responsibilities for ensuring compliance with the Data Protection Act.

The External Auditor suggested that specific reference should be made in the terms of reference to the Committee needing to be satisfied that the judgement or independence of the External Auditor was not impaired as a consequence of any non-audit reviews, services or advice provided to the Council.

**Agreed:**

1. That following additional bullet point be inserted under the section on External Audit in the proposed terms of reference:
  - To consider periodically (at least annually), whether the auditors appointed to carry out the external audit function remain independent and objective and that their judgement in carrying out that role has not been impaired as a consequence of their participation in any non-audit reviews, service or advice provided to the Council.
2. That, subject to the inclusion of the addition in 1 above, the revised terms of reference attached as Appendix 1 of the report accurately reflected the role of the Committee.
3. That the full Council be recommended to approve the revised terms of reference and to include them as Article 7 in Part 2 of the Constitution, in place of the previous version.

**30**

**Internal Audit Strategy and Audit Plan 2019/20**

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

The Head of Governance explained the risk based approach and assurance mapping processes under which had been used to draw up the internal audit strategy and audit plan for 2019/20.

The Senior Auditor said in response to questions from members of the Committee, that she was due to visit the Marine Hall again in April. She confirmed that the on-going support referred to in the plan would continue in 2019/20. The Head of Governance and the Head of Finance (Section 151

Officer) also commented on the progress made on previous audit recommendations relating to the Marine Hall. They confirmed that the Commercial Manager would be attending the Audit Committee meeting in June to update the Committee and to answer questions.

The Chairman said that, in view of the all-out elections to be held on the 2 May and in anticipation of around one third of current members not standing again, discussions had been held with external audit about any transition steps it might be advisable for the Committee to take. They have recommended that the current Audit Committee provide a Statement of Assurance on the Annual Governance Statement (AGS) to reflect that it accurately represents the organisation as the Committee see it. To make this as meaningful as possible it was proposed that, following the Annual Governance Statement workshop to be held by senior officers at the end of April, the Head of Governance would circulate to her, as the current Chair of the Audit Committee, a draft copy of the updated AGS. On behalf of the Committee, she would then review and either endorse the draft or raise any areas of concern where she felt the AGS didn't reflect properly the organisation. The new Audit Committee would still approve the final AGS in June, but they would do so knowing that the outgoing Chair, on behalf of the Committee, supported the main body of the text. This would give some assurance to the new Audit Committee, if significant changes to its membership occur. Owing to the short timescales, it was proposed that she, as Chair, should take responsibility for the Statement of Assurance.

**Agreed:**

1. That the Internal Audit Strategy, attached as Appendix 1 of the report, and the Annual Audit Plan for 2019/20, attached as Appendix 2 of the report, be approved.
2. That the current Chair of the Committee (Cllr McKay) be authorised to consider and comment on the draft Annual Governance Statement for 2018/19.

**31**

**Certification of claims and returns: annual report 2017/18**

The Head of Finance (Section 152 Officer) referred to a letter (published in the agenda) which had been sent to her by KPMG (the Council's former external auditors) as its required annual report on the certification of the claims and returns submitted by the Council.

The letter confirmed that no issues or concerns relating to claims and returns made by the Council in 2017/8.

The Head of Finance (Section 151 Officer) said that the issues with the certification of claims and returns for 2016/17, previously reported to the Committee, remained outstanding. Now that claims and returns for 2017/18 had been certified, the appeal would be pursued with the Council's new external auditors (Deloitte) and the Department of Work and Pensions.

**Agreed** that the Certification of Claims and Returns Annual Report for 2017/18 and the position on the certification of claims and returns for 2016/17, be noted.

## **32 External Audit Plan 2018/19**

The External Auditor submitted a report setting out how Deloitte would carry out their audit work on Wyre's activities and performance in 2018/19. He drew attention, in particular, to the following key elements of the plan:

- The guidance on how the Audit Committee could discharge its' responsibilities (on page 28 of the printed agenda);
- How 'materiality' would be determined (on page 29 of the printed agenda);
- The key areas of responsibility of the External Auditor (on page 30 of the printed agenda);
- The 'significant risks dashboard' (on page 35 of the printed agenda);
- The summary of responsibilities and the characteristics of fraud, set out in Appendix 1 (on pages 40 and 41 of the printed agenda);
- Arrangements for the confirmation of the independence of the audit team (on page 42 of the printed agenda); and
- The focus of the external auditors on quality (on page 44 of the printed agenda).

Members of the Committee initially expressed some concern about the use of a 'materiality' figure of £1.3 million (based 2% of the Council's gross income), leading to miss-statements of less than £66,000 not routinely being reported to the Committee. However, they were satisfied by the External Auditor's explanation that on the basis he had described, £66,000, represented approximately 5% of 2% of income and was therefore a reasonable reporting threshold to use. Members of the Committee also indicated that they were comfortable with the measures of significant risk used in the plan and with the independence of the audit team.

**Agreed:** that the External Audit Plan 2018/19 be noted.

## **33 Periodic private discussion with the Chief Internal Auditor**

Following the conclusion of the formal meeting, members of the Committee were given the opportunity to have their private periodic discussion with the Head of Governance, as provided for in the Committee's work programme.

(The Head of Finance, the Democratic Services and Scrutiny Manager and the External Auditor left the room for this item).

No significant issues were raised or required actions identified.

**34 Time and date of next meeting**

Tuesday 28 May 2019 at 6pm.

The meeting started at 6pm and finished at 6.52pm.

**Date of Publication:** Tuesday 19 March, 2019

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Report of:	Meeting	Date
Head of Finance (s151 Officer)	Audit Committee	28 May 2019

## ANNUAL REVIEW OF INTERNAL AUDIT CHARTER

### 1. Purpose of report

- 1.1 Agreement of the Internal Audit Charter for the Audit and Risk Management Section ensuring compliance with the Public Sector Internal Audit Standards (PSIAS) and the associated Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note.

### 2. Outcomes

- 2.1 Compliance with the PSIAS and the checklist contained within CIPFA's Application Note constituting 'proper practices' as defined in the Accounts and Audit Regulations 2015.

### 3. Recommendation

- 3.1 That the Audit Committee agrees the Internal Audit Charter and Code of Ethics attached at Appendices 1 and 2.

### 4. Background

- 4.1 Specific requirements detailed in the Accounts and Audit Regulations 2015 require a relevant body to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account PSIAS or guidance'. From 1 April 2013 the standards and guidance were defined in the PSIAS and CIPFA's Application Note which provides guidance on the specific requirements for local government internal audit services.
- 4.2 The Application Note documents a number of specific local government requirements, including the requirement to complete an extensive checklist for assessing compliance with the PSIAS. One of the mandatory requirements within the checklist is to have an Internal Audit Charter in place.
- 4.3 In addition, The Head of Governance publishes an Internal Audit Strategy

which assists in demonstrating how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter, council objectives and priorities. This was reported to the Audit Committee in March 2019, together with the annual audit plan.

## **Key Issues and proposals**

- 5.1** The Internal Audit Charter and Code of Ethics are included for approval at Appendices 1 and 2.

<b>Financial and legal implications</b>	
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 an x.

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

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

### **Processing Personal Data**

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

report author	telephone no.	Email	date
Jo Billington	01253 887586	<a href="mailto:joanne.billington@wyre.gov.uk">joanne.billington@wyre.gov.uk</a>	13.05.2019

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

### **List of appendices**

Appendix 1 – Internal Audit Charter

Appendix 2 – PSIAS Code of Ethics



## **Internal Audit Charter – May 2019**

### **Introduction**

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Internal Audit Charter sets out the purpose, authority and responsibility of the internal audit activity at Wyre Council and includes a Code of Ethics which stipulates the conduct of Internal Auditors within the Audit and Risk Management Section.

The Internal Audit Charter is publicised within the council to ensure that the role of the Audit and Risk Management Section is understood. The Head of Governance is responsible for reviewing the Internal Audit Charter and presenting it to the Head of Finance / S.151 Officer (Senior Management) and the Audit Committee (The Board) at least annually for review and approval.

### **Definition of Internal Audit**

The PSIAS defines internal auditing as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objective’s by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

### **Mission of Internal Audit**

The Internal Audit Charter sets out what the internal audit service aspires to accomplish; which is *‘To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’*. The core principles listed in the PSIAS, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively. Failure to achieve any of the principles would imply that an internal audit function was not as effective as it could be in achieving internal audit’s mission. There are 10 core principles, namely:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;

- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

### **Responsibilities**

Internal Audit is a review activity that does not relieve management of its responsibility for ensuring that effective systems of control are in place. The council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the council's objectives. Management shall accept and implement internal audit findings and recommendations, or accept the risk resulting from taking no action.

The Audit and Risk Management Section will assist the council in discharging its corporate governance requirements and ensure that the council's assets and activities have the necessary insurance cover. The Head of Governance is responsible for:

- Developing and maintaining an Internal Audit Strategy demonstrating how the internal audit service will be delivered and developed in accordance with the internal audit charter, council objectives and priorities.
- Developing an annual risk-based audit plan in the context of the strategic direction and based on an understanding of the council's key risks;
- Managing the provision of a complete professional internal audit service that is compliant with the PSIAS and CIPFA's Application Note;
- Providing an annual internal audit opinion to the Audit Committee, based on the outcomes of internal audit work conducted throughout the year;
- Assisting officers and members of the authority in the effective discharge of their responsibilities;
- Examining, evaluating and reporting on the adequacy of internal controls as a contribution to the efficient, effective and economic use of resources;
- Evaluating the effectiveness and contributing to the improvement of risk management processes;
- Ensuring the council's assets and interests are accounted for and safeguarded against losses of all kinds, including those arising from fraud, irregularity, corruption or bribery;

- Maintaining a level of independence and integrity to permit the proper performance of the internal audit function;
- Maintaining an effective working relationship with the External Auditor;
- Attending Audit Committee meetings, contributing to Audit Committee Agendas and advising the Committee on any scope or resource limitations;
- Assessing all matters of potential fraud or irregularity in line with the requirements of the Council's counter fraud policies; and
- Assisting the Audit Committee in achieving effectiveness in the delivery of their terms of reference.

In carrying out their role, staff within the Audit and Risk Management Section are required to comply with the auditing standards as defined in the PSIAS, the Accounts and Audit Regulations 2015 and any other relevant professional guidelines issued by The Institute of Internal Auditors.

In accordance with the Accounts and Audit Regulations 2015, an annual review of the effectiveness of the system of internal control must be carried out. This will be conducted using the checklist within CIPFA's Application Note which will be presented to the Audit Committee in May. The outcome of the exercise will form part of the Annual Governance Statement (AGS). Completing an exercise of this nature also allows greater reliance to be placed on the overall opinion on the effectiveness of the control environment within the Annual Audit Report.

### **Limitations of Internal Audit Responsibilities**

In seeking to discharge the responsibilities of Internal Audit set out above, it should be noted that Internal Audit is not responsible for the following, which are the proper responsibility of management:

- Controlling the risks of the organisation;
- Establishing and maintaining systems of internal control;
- Determining operational policies or procedures; and
- Preventing or detecting fraud and irregularity.

### **Organisational Roles and Relationships**

The PSIAS require that the internal audit charter defines the terms 'Board' and 'Senior Management' in relation to the work of internal audit. For the purpose of internal audit work at Wyre Council, the 'Board' is taken to refer to the Audit Committee and 'Senior Management' is taken to refer to the Head of Finance/S.151 Officer. The PSIAS also refer to the 'Chief Audit Executive' which at Wyre refers to the Head of Governance (Head of Internal Audit).

The council has adopted CIPFA's Statement on the Role of the Chief Financial Officer in Local Government and the associated Statement on the Role of the Head of Internal Audit in Public Service Organisations. These statements set out principles and standards for the Head of Finance/S.151 Officer and the Head of Governance to act in a mutually supportive way in fulfilling their statutory and professional responsibilities.

Internal Audit supports the Chief Executive, as Head of Paid Service, in providing high level assurances related to the council's strategy and governance arrangements and will use the Annual Governance Statement to notify him of any significant issues.

Internal Audit supports the Monitoring Officer in discharging her responsibilities in maintaining high standards of governance, conduct and ethical behaviour.

The Audit and Risk Management Section derives its authority from the Financial Regulations and Financial Procedure Rules, contained within the Council's Constitution.

### **Relationships with Elected Members, Officers, External Audit and Other Agencies**

To ensure good working relationships are established, the Audit and Risk Management Section comply with the 'protocol for officer / member relations' which forms part of the Council's Constitution and involves:

- Working in a spirit of mutual respect and co-operation;
- Maintaining impartiality;
- Being politically neutral;
- Respecting confidentiality;
- Observing the protocols with regards to access to information; and
- Trying to resolve any issues informally and in a spirit of understanding.

The Audit and Risk Management Section will co-operate with External Audit and other review agents to:

- Ensure that duplication of work is minimised;
- Consider joint delivery;
- Determine the level of assurance that can be obtained from their work; and
- Review the reliance that can be placed on that assurance as part of the Head of Governance's overall opinion on the control environment included in the Internal Audit Annual Report.

## **Independence and Objectivity**

Internal Audit operates independently within the council to ensure it is able to appraise and give an impartial opinion on the council's governance arrangements, risks and internal control systems.

To ensure this independence, internal audit operates within a framework that allows unrestricted access to all council officers, senior management and elected members. As such all internal audit staff have the right to access all premises, records and documentation held by the council, its officers and Elected Members and to seek explanation as they see necessary to discharge their duties. This position is supported by the Accounts and Audit Regulations 2015.

The Head of Governance is responsible for identifying and managing any threats to objectivity. In addition, objectivity and independence is further enhanced by the partnership arrangements in place between the council and Lancashire Audit Services (LAS). They are also used to avoid any conflicts of interest that may arise if Internal Audit have undertaken any non-audit activities or have been involved in the system or policy setting.

## **Reporting Lines**

The Audit and Risk Management Team sits within the Performance and Innovation Directorate and although the Head of Governance reports to the Service Director Performance and Innovation, the internal audit activity is organisationally independent in its planning and operation and as such has unrestricted access to the following:

- ◆ Chief Executive;
- ◆ S.151 Officer;
- ◆ Monitoring Officer;
- ◆ Chairman of the Audit Committee;
- ◆ Chairman of the Standards Committee;
- ◆ Members of the Council; and
- ◆ All council employees.

Functionally, the work of internal audit is reported to the Head of Finance/S.151 Officer, Service Directors, Heads of Service, Audit Committee and the External Auditor by means of specific reports. They are also reported in summary form to the Audit Committee via six-monthly monitoring and activity reports.

The Head of Governance and the Chairman of the Audit Committee have mutual, direct access to each other and will liaise as they consider appropriate.



## **Due Professional Care and Ethics**

All Audit and Risk Management staff have an ethical responsibility to work with due professional care. Due professional care is the care and skill that prudent and competent internal auditors will apply in performing their duties; working with competence and diligence, using knowledge and judgement based on experience, training and ability.

Care will be appropriate to the objectives, complexity, nature and materiality of the audit being performed. The auditor will consider various data analysis techniques and be alert to significant risks that may affect the organisation.

The PSIAS contain a Code of Ethics which is mandatory for all internal auditors in the public sector and all internal audit staff at Wyre Council will operate in accordance with this. In addition, internal auditors are also required to comply with the relevant requirements of their own professional bodies and the organisation in which they are employed and have regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'.

## **Quality Assurance and Improvement Programme (QAIP)**

The PSIAS requires that the Chief Audit Executive (at Wyre this is the Head of Governance) develops and maintains a Quality Assurance and Improvement Programme (QAIP). A QAIP is designed to enable an evaluation, checking that internal audit's activity conforms to the 'Definition of Internal Auditing', the PSIAS and whether Internal Auditors apply the Code of Ethics. The QAIP also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The QAIP must include both internal and external assessments and any improvement plans resulting from the QAIP must be monitored accordingly. The following activities make up the QAIP at Wyre:

### **Internal Assessment**

- 6 monthly progress review of internal audit activity;
- 6 monthly performance appraisals for all audit staff;
- Completion of CIPFA's Application note checklist to assess the Effectiveness of Internal Audit;
- Quality inspections of all audit work by the Head of Governance;
- Annual certification confirming compliance with the Code of Ethics contained within the Audit Charter; and
- Annual feedback from the Chairman of the Audit Committee on the Chief Audit Executive's performance.

### **External Assessment**

- The use of Lancashire County Council's Internal Audit Service to provide independent assurance that controls are adequate and effective in service areas managed by the Chief Audit Executive;
- Annual review and validation of the Annual Governance Statement;

- The External Auditor has an annual opportunity to raise any issues concerning Internal Audit activity with the Audit Committee.
- External assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation in accordance in the PSIAS. The most recent assessment was carried out in 2018 with no significant issues reported.

The results of the quality and assurance programme and progress against any improvement plans will be reported in the annual report to the Head of Finance/S.151 Officer and the Audit Committee.

### **Strategy and Planning**

The Head of Governance will develop and maintain an Internal Audit Strategy to demonstrate how the internal audit service will be delivered and developed in accordance with the internal audit charter, council objectives and priorities.

Annually, the Head of Governance will also prepare a risk-based audit plan taking into account the Council's Business Plan, Service Plans, the Medium Term Financial Plan, Strategic and Operational Risk Registers and discussions with the council's Corporate Management Team and the External Auditor. The audit plan will outline the assignments to be carried out and include an assessment of the resources required for delivery. The Audit Committee will approve the plan in advance of the financial year.

To reflect any changing priorities or emerging risks, the audit plan will be constantly reviewed with a provision for contingencies being included accordingly. Progress in relation to the plan will be reported to the Audit Committee on a six monthly basis.

### **Resourcing and Staffing**

The Head of Governance (Chief Audit Executive) will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to the professional values and the Code of Ethics. The Head of Governance will have sufficient skills, experience and competencies to work with the Head of Finance/S.151 Officer and the Audit Committee to influence the risk management, governance and internal control of the council.

The Head of Governance is responsible for ensuring that Internal Audit are suitably resourced in order to achieve its overall mission and will aim to maintain a suitable mix of experienced and qualified staff. To assist Wyre Council in meeting these requirements, the internal audit service is supplemented by the use of an external audit provider, Lancashire Audit Service (LAS) who are part of Lancashire County Council. This organisation is required to comply with PSIAS.

Individual training needs are established and agreed through the council's Performance Appraisal process along with the most cost effective way of meeting those needs. As a professional service, staff are expected to actively participate in formal Continuing Professional Development (CPD) schemes.

Once a year, the Audit Committee will have the opportunity to attend two scheduled private discussions, one with the council's External Auditors and the other with the Head of Governance. Following on from these discussions, feedback on the Head of Governance's performance is provided by the Chairman of the Audit Committee to the Service Director Performance and Innovation prior to the Head of Governance's annual performance appraisal taking place.

### **Scope of Internal Audit Work**

Using a systematic, disciplined and risk-based approach, the scope of internal audit work covers all of the council's governance arrangements, procedures for ensuring the effective management of all significant risks and ensuring regularity in all its financial areas, including value for money.

It allows for unrestricted coverage of the authority's activities and unrestricted access to all records, personnel, property and assets deemed necessary in the course of an engagement. Such access shall be granted on demand and is not subject to advance notice. There are no limitations placed upon the scope of internal audit work. Internal audit has the right to request and receive explanations from all employees or Elected Members concerning any matter under consideration.

The scope of internal audit work extends to services provided through partnership arrangements. The Head of Governance at Wyre Council should decide, in consultation with all parties, whether internal audit staff should conduct the work to derive the required assurance or rely on the assurances provided by others.

If the Head of Governance or those charged with governance consider that the level of internal audit resources in any way limits the scope of internal audit work, or prejudices the ability of internal audit to deliver a service consistent with the definition of internal audit, they should advise the Audit Committee immediately.

Internal audits are not limited to financial systems or records, but extend to all the activities of the council as this reflects the control environment and the governance arrangements in place. The Audit and Risk Management Section will undertake the following activities as and when required:

- Promote appropriate ethics and values within the organisation;
- Assess and make appropriate recommendations to improve the organisation's governance processes and monitor progress made against governance actions;
- Review compliance with laws, regulations, council policies, the Financial Regulations and Financial Procedure Rules and contracts;
- Review compliance with the Council's Constitution;
- Undertake transaction testing to provide assurance as to the accuracy of processing;

- Perform Computer Audit and Contract Audit;
- Undertake proactive and reactive management of the council's insurance portfolio, linked to risk;
- Investigate suspected fraud, bribery and corruption (not including Benefit Fraud Investigation work);
- Embed risk management – including the identification and assessment of significant risks, risk responses and communication of relevant risk information to enable staff and management and the board to carry out their responsibilities;
- Carry out value for money studies; and
- Verify performance information and published national and local indicators.

### **Consultancy work**

Internal audit may act in a consulting role to review controls within existing systems and those under development to give advice and assistance when required, without assuming management responsibility. A contingency will be made in the internal audit plan to support management in this way.

Prior to accepting any additional consultancy work not already included in the internal audit plan, the Head of Governance will consider the effect this would have on the completion of the assurance work. In accordance with PSIAS, approval will be obtained from the Audit Committee for any consultancy work requested, prior to accepting the engagement.

### **Engagement planning**

For each engagement, a Terms of Reference (TOR) will be prepared and agreed with relevant managers. The TOR will contain details of the risks relevant to the activity under review, together with the objectives, scope and timing of the audit assignment, resource and reporting requirements.

### **Performing the engagement**

During each engagement, Internal Audit will identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives and to support the recommendations made and the overall conclusion. The draft report and supporting evidence will be reviewed by the Head of Governance to ensure objectives have been achieved and quality assured. All evidence obtained will be documented and securely retained in accordance with the council's Storage and Retention Policy and access to this will be controlled.

### **Communicating results**

Following the conclusion of each engagement, a formal report detailing the findings and recommendations / action plan will be prepared by the Audit and Risk Management team and issued by the Head of Governance.

As part of Internal Audit's Quality Assurance and Improvement Programme, a 4:4:2 timescale is applied when conducting audit work and drafting and finalising audit reports. The timescales apply as follows;

- 4 weeks from the commencement of the audit fieldwork, a draft report will be issued;
- 4 weeks from the issue of a draft report, a management response and completed action plan will be received; and
- 2 weeks from receiving the response and action plan, the report will be issued as a 'final' version.

The reports are distributed as follows;

- Managers receive a final copy of the report with an agreed action plan, following confirmation of the draft report's factual accuracy. The action plan details responsibilities for action, the timetable and priorities. Whilst management are responsible for the implementation of agreed actions, follow-up work will be performed by Internal Audit whereby a sample of Level 1-3 recommendations are reviewed to ensure actions are being progressed. The Audit Committee will be advised of any delays or failure to implement agreed actions.
- The appropriate Service Director, the Audit Committee and the council's External Auditor receive copies of the final reports. A copy is also published on the council's intranet.
- The Audit Committee receives six-monthly updates on audit work performed and an executive summary of findings / recommendations made, highlighting any key issues arising from this work.
- At each meeting, the Committee have the opportunity to discuss any of the audit reports that have been issued since the previous meeting. Officers may be asked to attend the Audit Committee meeting to address any questions raised by the members.

### **Fraud, Bribery and Corruption**

Managing the risk of fraud, bribery and corruption is vital to the success of the council in achieving its corporate objectives. The Audit and Risk Management Section will assist management in the effective discharge of this duty. Audit procedures alone, even when performed with due care and professionalism cannot guarantee that a system is 100% risk free, nor that all incidents of fraud, bribery and corruption will be detected and investigated.

The Audit and Risk Management Section is not solely responsible for the prevention or detection of fraud, bribery and corruption. It will, however, remain alert to risk and

exposures both internal and external to the organisation. Close involvement with the national anti-fraud agencies and participation in the National Fraud Initiative will assist this process.

Any evidence or suspicion of an irregularity regarding council funds, property or any other asset or interest should be reported immediately using the Whistleblowing Policy. The council is committed to the highest possible standards of openness, probity and accountability, and encourages all its Elected Members, employees, partners and contractors to voice their concerns without fear of reprisal.

The Audit and Risk Management Section will lead or assist in the development, maintenance and delivery of training associated with the effectiveness of policies that contribute towards sound corporate governance, as detailed in the council's Annual Governance Statement e.g. Whistle Blowing Policy, Anti-Fraud, Bribery and Corruption Policy, Officer's Gifts, Hospitality and Interests and the Anti-Money Laundering Policy and Procedures.

## **Public Sector Internal Audit Standards – Code of Ethics**

### **Introduction**

The PSIAS contain a Code of Ethics (the Code) which is mandatory for all internal auditors in the public sector. In addition, internal auditors are also required to comply with the relevant requirements of their own professional bodies and the organisation in which they are employed.

### **Purpose**

The purpose of these ethics is to promote an ethical, professional culture in internal auditing. Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'. Namely;

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

The Head of Governance at Wyre Council will ensure that auditors are regularly reminded of their ethical responsibilities as part of the performance appraisal process. Auditors will be asked to declare annually any personal interests and certify that they understand and will comply with the requirements of the Code.

### **Applicability and Enforcement**

The Code applies to both individuals and entities that provide internal auditing services including the Lancashire Audit Service. For members of the Institute of Internal Auditors (IIA), breaches of the Code shall be evaluated and administered according to the IIA Disciplinary Procedures. Disciplinary procedures of other professional bodies e.g. CIPFA and employing organisations may also apply to breaches of the Code.

## **Fundamental Principles**

Internal auditors are expected to apply and uphold the following four principles:

### **1. Integrity**

**The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.**

Internal Auditors:

- Shall perform their work with honesty, diligence and responsibility;
- Shall observe the law and make disclosure as required by the law and their professions;
- Shall not knowingly be part of any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation; and
- Shall respect and contribute to the legitimate and ethical objectives of the organisation.

### **2. Objectivity**

**Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.**

Internal Auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Shall not accept anything that may impair or be presumed to impair their professional judgement; and
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### **3. Confidentiality**

**Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.**

Internal Auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties; and
- Shall not use 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.



#### **4. Competency**

**Internal Auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.**

Internal Auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience;
- Shall perform internal auditing services in accordance with the Public Sector Internal Audit Standards; and
- Shall continually improve their proficiency and effectiveness and quality of their services.

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Report of:	Meeting	Date
Head of Finance (Section 151 Officer)	Audit Committee	28 May 2019

## REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

### 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 2019 review of the effectiveness of Internal Audit detailed in Appendix 1.

### 4. Background

- 4.1 The Accounts and Audit Regulations 2015 requires the relevant body, at least once a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind this is to ensure that the opinion in the annual audit report issued by the Head of Governance / Chief Audit Executive (CAE) can be relied upon as a key source of evidence in the Annual Governance Statement.
- 4.2 From the 1 April 2013 Public Sector Internal Audit Standards (PSIAS) replaced the Code of Practice for Internal Audit in Local Government. In Local Government these standards are mandatory for all principal local authorities subject to the Accounts and Audit Regulations 2015. The PSIAS were re-issued in March 2017 with minor amendments.
- 4.3 To accompany the PSIAS an 'application note' has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to give guidance on applying the standards. However, the application note is no longer simply guidance 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 was made by the majority of the Lancashire Districts to continue with the annual self-assessment completed by the CAE and for that annual self-assessment to be independently verified via peer review. Wyre's peer review took place in March 2018 and was submitted to the Audit Committee in June 2018 to consider the recommendations made by the peer review assessment team. Until the next round of peer reviews the Head of Governance will continue to carry out annual self-assessments.

## **5. Key issues and proposals**

- 5.1** The Head of Governance (CAE) has assessed the effectiveness of the internal audit service using the recommended checklist contained within CIPFA's Local Government Application Note. This has subsequently been scrutinised by the Head of Finance (Section 151 Officer).
- 5.2** The three minor observations identified during the peer review in March 2018 have all been considered and where appropriate the necessary changes have been made. There are no further actions that require attention following this annual self-assessment. The results of the review are attached at Appendix 1.

<b>Financial and legal implications</b>	
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.

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

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

### **Processing Personal Data**

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

report author	telephone no.	email	date
Joanne Billington	01253 887372	<a href="mailto:joanne.billington@wyre.gov.uk">joanne.billington@wyre.gov.uk</a>	15.05.2019

<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

### **List of appendices**

Appendix 1 – Review of the effectiveness of internal audit – May 2019

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

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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	<b>Definition of Internal Auditing</b>				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity:				
	a) Independent?	Y			An Audit Charter is in place that sets out Internal Audits independence. This is also documented in the Head of

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

Ref	Conformance with the Standard	Y	P	N	Evidence
					All reports are reviewed by the Head of Governance (CAE) prior to issue to ensure that the auditor has remained objective and that an overall balanced view is given.
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	Y			<p>There is a standard methodology in place for determining the ranking of opinions and rankings of findings / recommendations in audit reports.</p> <p>RISK / Control matrices are used to identify key areas prior to the start of each audit.</p> <p>The council has a risk management policy which is reviewed annually and uses Zurich Municipals' STORM methodology.</p> <p>The internal audit team use standardised working papers and audit report templates.</p>
<b>2</b>	<b>Code of Ethics</b>				
	<b>Integrity</b> 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
	<b>Objectivity</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:				
	a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?	Y			Compliance with Audit Charter / Code of Ethics  Completion of annual declarations of interests.  Audit are required from time to time to get involved / give advice on new systems / new controls etc. Owing to the size of the team, it may be that the same auditor will then have to perform the audit. The auditor is, however mindful of their independence and has the option to call in Lancashire County Council if necessary. In addition, the Council is also currently joint working with Lancaster City Council, therefore there is also an option to use audit staff from there if required.
	b) Accepting anything that may impair or be presumed to impair their professional judgement?	Y			Compliance with the Audit Charter / Code of Ethics.  Declaring any gifts and hospitality for inclusion on the council's register.

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

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>testing and how it was processed.</p> <p>Compliance with audit information asset registers.</p> <p>Understanding of the Data Protection Act 2018 and the enshrined GDPR.</p>
	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.
	<p><b>Competency</b></p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p>				
	a) Only carrying out services for which they have the necessary knowledge, skills and experience?	Y			The Senior Auditor is professionally qualified to PIIA standard and therefore has the experience and skills to carry out the required audits.
	b) Performing services in accordance with the PSIAS?	Y			The Senior Auditor has been supplied with a copy of Audit Charter / Code of Ethics and the PSIAS and performance is regularly assessed.
	c) Continually improving their proficiency and effectiveness and	Y			Work related objectives are agreed in

Ref	Conformance with the Standard	Y	P	N	Evidence
	quality of their services, for example through CPD schemes?				<p>advance as part of the council's performance appraisal scheme.</p> <p>Staff are encouraged to maintain records of continuing professional development to satisfy their professional membership requirements.</p> <p>Regular attendance at the audit weekend school.</p>
	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.
	<b>Standards</b>				
<b>3</b>	<b>Attribute Standards</b>				
<b>3.1</b>	<b>1000 Purpose, Authority and Responsibility</b>				
	Does the internal audit charter include a formal definition of:				
	a) the purpose b) the authority, and	Y			The Audit Charter includes a definition in accordance with the PSIAS.

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?				
<b>LGAN</b>	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.	Y			The Audit Charter defines the 'board' as the Audit Committee and 'Senior Management' as the Head of Finance (Section 151 Officer).
	Does the internal audit charter also:				
	a) Set out the internal audit activity's position within the organisation?	Y			See Audit Charter
	b) Establish the Chief Audit Executive's (CAE) functional reporting relationship with the board?	Y			See Audit Charter
<b>LGAN</b>	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	Y			See Audit Charter
<b>LGAN</b>	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

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 its responsibilities?	Y			See Audit Charter
<b>LGAN</b>	f) Define the scope of internal audit activities?	Y			See Audit Charter
<b>LGAN</b>	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	Y			See Audit Charter
<b>LGAN</b>	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
<b>LGAN</b>	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	Y			See Audit Charter

Ref	Conformance with the Standard	Y	P	N	Evidence
	internal audit undertakes non-audit activities?				
	n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?	Y			Since May 2017, the CAE (Head of Governance) has provided interim assurance in the CIA role for Lancaster City Council. A service level agreement has been entered into and is currently on a 12 month rolling contract.
	o) Define the nature of consulting services?	Y			This is documented in the job description that is referred to in the service level agreement between Lancaster City Council and Wyre Council.
	p) Recognise the mandatory nature of the PSIAS?	Y			See Audit Charter
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	Y			An annual review is undertaken in May.
	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.
<b>3.2</b>	<b>1100 Independence and Objectivity</b>				
	Does the CAE have direct and unrestricted access to senior	Y			The Head of Governance (CAE) reports



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

Ref	Conformance with the Standard	Y	P	N	Evidence
					arrangements are the responsibility of the internal audit service. Lancashire County Council and Lancaster City Council will be 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.
	<i>1110 Organisational Independence</i>				
	Does the CAE report to an organisational level equal or higher to the corporate management team?	Y			The CAE reports directly to the Head of Finance (Section 151 Officer) who attends the Corporate Management Team meetings.
<b>LGAN</b>	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	Y			The CAE reports directly to the Head of Finance (Section 151 Officer) who attends the Corporate Management Team meetings
<b>LGAN</b>	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.

Ref	Conformance with the Standard	Y	P	N	Evidence
<b>LGAN</b>	Does the CAE's position in the management structure:				
	a) Reflect the influence he or she has on the control environment?	Y			The CAE is one of 8 Heads of Service who together with the 5 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			
	c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	Y			
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:	Y			Documented in the Audit Charter which is presented to the Audit Committee in May annually.
	The board:				
	a) approves the internal audit charter	Y			Annually in May
	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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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	<p>The appointment / dismissal of the CAE is not reflected in the council's Constitution as an elected member responsibility and falls to the Head of Finance (Section 151 Officer) who is responsible for maintaining an adequate internal audit function. In addition, as the CAE post is part of the Head of Governance role, the Director of Performance and Innovation would also be involved. Any decision, however, would be presented to the Audit Committee for noting.</p> <p>The Audit Committee work programme allows an opportunity for a private discussion with the External Auditor which would allow them to comment on the performance of the CAE, if appropriate.</p>
	f) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	Y			The Audit Committee have the opportunity to question the Head of Governance (CAE) and the Head of Finance (Section 151 Officer) at the

Ref	Conformance with the Standard	Y	P	N	Evidence
					meeting when the audit plan is presented and progress reports are provided.
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	Y			The Head of Finance (Section 151 Officer), who sits on the Corporate Management Team has regular 1-1's with the Head of Governance (CAE). The CAE's performance appraisal is completed by the Service Director Performance and Innovation. Both the Head of Finance and the Service Director are appraised by the Chief Executive. It is at these appraisals where the Head of Governance's (CAE) performance would be discussed if there were any issues.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Y			Feedback on the Head of Governance (CAE) performance is provided by the Chairman of the Audit Committee following the March meeting and prior to the annual performance appraisal taking place.
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	Y			The Head of Governance (CAE) attends a pre-audit meeting with the Chairman of the Audit Committee and also attends all

Ref	Conformance with the Standard	Y	P	N	Evidence
					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			<p>Auditors will complete annual declaration of interests.</p> <p>Compliance with the Internal Audit Charter / Code of Ethics.</p> <p>Audit Staff are aware that they need to report any suspected conflicts of interests if they arise during an audit review. There have been no conflicts of interest recorded to date.</p>
	<i>1130 Impairment to Independence or Objectivity</i>				
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	N/A	N/A	N/A	<p>There has been no impairment of independence or objectivity.</p> <p>The Head of Governance (CAE) has operational responsibility for insurance, business continuity, risk management, electoral registration, democratic services and information governance.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					Assurance is sought from Lancashire County Council 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 Head of Governance (CAE) has operational responsibility for insurance, business continuity, risk management, electoral registration, democratic services and information governance. Assurance is sought from Lancashire County Council in respect of these services operating effectively.
<b>LGAN</b>	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?			N	Owing to the size of the audit team this is not achievable. However the use of Lancashire County Council and the potential to use Lancaster City Council allows the rotation of audits where appropriate.
<b>LGAN</b>	Have internal auditors declared interests in accordance with organisational requirements?	Y			The Audit and Risk Management Section all complete an annual declaration of interests.  Staff are provided with the Internal Audit Charter / Code of Ethics. Both

Ref	Conformance with the Standard	Y	P	N	Evidence
					documents are also on the intranet.
<b>LGAN</b>	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 2018/19.  Audit staff are reminded annually of the council's procedures in respect of receiving gifts and hospitality.
<b>LGAN</b>	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.
<b>LGAN</b>	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.
<b>LGAN</b>	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, however the Head of Governance (CAE) is providing cover for the CAE role at Lancaster City Council from May 2017. This is currently on a 12 month rolling contract which amounts to approximately 55 days per year.
<b>3.3</b>	<b>1200 Proficiency and Due Professional Care</b>				
	<i>1210 Proficiency</i>				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	Y			The Head of Governance (CAE) is a fully Certified Chartered Auditor (CIA). She also holds a Qualification in Internal Audit Leadership (QIAL).
	Is the CAE suitably experienced?	Y			18 years' experience in internal audit including County Council, 2 District Councils, experience in auditing the Police and Fire Authority, schools and residential establishments.
<b>LGAN</b>	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.

Ref	Conformance with the Standard	Y	P	N	Evidence
<b>LGAN</b>	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	Y			Last updated in August 2018 when the role of Data Protection Officer was added to the Head of Governance (CAE) responsibilities.
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	Y			The Senior Auditor is PIIA qualified and satisfies the required competencies for the role. All staff at Lancashire County Council are either fully MIIA or CIPFA qualified.
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	N/A	N/A	N/A	The Head of Governance (CAE) and Senior Auditor have the necessary qualifications and skill set to carry out any audit work. However if a piece of work was to be carried out that would require a specialist auditor skill set, an external audit organisation would be contacted.
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Y			The use of TIS online and GRACE risk matrices help assist in evaluating the risk of fraud. The knowledge and expertise of the in-house Benefit Fraud Team is available if required. Both the Head of Governance (CAE) and the Senior Auditor have attended an external course in respect of conducting internal investigations.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	Y			The council uses the expertise of Lancashire County Council auditors where appropriate.
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	Y			Although the Internal Audit function do not have any CAAT software, arrangements are in place to utilise Lancashire County CAAT software if the need arises.
	<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

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>management and control.</p> <p>GRACE risk matrices and the TIS online subscription are frequently used to ensure all risk areas are considered and subsequent controls have been identified. Audit staff have access to several CIPFA publications which assist with the consideration of audit, governance and risk. Namely;</p> <ul style="list-style-type: none"> <li>• CIPFA – Delivering Good Governance in Local Government</li> <li>• PSIAS – Local Government Application Note for the UK Public Sector; and</li> <li>• Audit Commission – Protecting the Public Purse</li> </ul>
	d) Probability of significant errors, fraud, or non-compliance?	Y			<p>At the start of the audit, the auditor will have a set up meeting with the auditee to discuss potential risks. If any further risks, fraud etc. are highlighted during the audit, the scope would be amended to include the work required.</p> <p>The Auditor will also be alert to any non-compliance issues raised by officers.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 (CAE) subject to a cost/benefit analysis being undertaken.
	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>				
<b>LGAN</b>	Has the CAE defined the skills and competencies for each level of auditor?	Y			The council establishment has one level of auditor at Grade 8 with the support of the Head of Governance (CAE). A further 70 days can be outsourced to Lancashire County Council if required.

Ref	Conformance with the Standard	Y	P	N	Evidence
<b>LGAN</b>	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	Y			<p>Each audit report is reviewed by the Head of Governance (CAE) to ensure the audit has been conducted in accordance with professional standards and requirements of any auditing publications.</p> <p>The skills and competencies of the Senior Auditor are annually reviewed as part of the council's performance appraisal scheme. It is understood that all Lancashire County Council auditors also have performance appraisals where their skills and competencies are assessed.</p>
	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.
<b>3.4</b>	<b>1300 Quality Assurance and Improvement Programme</b>				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit	Y			The QAIP includes both internal; and external assessments.

Ref	Conformance with the Standard	Y	P	N	Evidence
	activity and enables conformance with all aspects of the PSIAS to be evaluated?				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"> <li>• An annual self-assessment of the effectiveness of the audit service using the PSIAS;</li> <li>• Feedback on the Head of Governance (CAE) is sought annually prior to their performance appraisal;</li> <li>• 6 monthly monitoring of the internal audit activity to the Audit Committee; and</li> <li>• 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.</li> </ul> <p>External assessments include:</p> <ul style="list-style-type: none"> <li>• A 5 yearly independent assessment of compliance to the PSIAS;</li> <li>• Annual review of the council's Annual Governance Statement as part of the Financial Accounts audit;</li> </ul>

Ref	Conformance with the Standard	Y	P	N	Evidence
					<ul style="list-style-type: none"> <li>Regular attendance at the Audit Committee with the opportunity to meet in private with the Committee; and</li> <li>External Auditors and Audit Committee Members reviewing and challenging internal audit reports.</li> </ul>
	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 Head of Finance (S151 Officer).
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?	Y			A self- assessment is performed annually. In addition, an external review of the effectiveness of the internal audit function is carried out every 5 years, in accordance with the requirements of the PISIAS. Wyre's review took place in March 2018. Only three minor areas of



Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>recommendation were identified.</p> <p>The External Auditor will also review the work of the internal audit service as part of the work they complete in respect of the ISA 260 – Report to those charged with Governance.</p>
	<i>1311 Internal Assessments</i>				
<b>LGAN</b>	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Y			<p>Whilst this is limited due to the size of the audit team, Lancashire County Council will be used if CAAT software is required.</p>
	Do internal assessments include ongoing monitoring of the internal audit activity, such as:				
	a) Routine quality monitoring processes?	Y			<p>All audit work is subject to a full review before the report is published. This includes a full review of working papers, evidence found, testing completed and validity of recommendations.</p> <p>An annual review using the checklist within the Local Government Application Note is undertaken. This is subject to an external assessment every 5 years.</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 took place in March 2018.
<b>LGAN</b>	Does ongoing performance monitoring include comprehensive performance targets?	Y			<p>The Senior Auditor is set targets / objectives annually as part of the performance appraisal scheme. Performance against these targets/objectives is monitored regularly.</p> <p>The Audit Committee receives six monthly updates on completion of the audit plan.</p> <p>Reporting timescales are published in the Audit Charter.</p> <p>In addition, ad-hoc benchmarking is conducted with the other Lancashire Internal Audit services. The use of external providers (Lancashire County Council) also assists with benchmarking the quality of internal audit reports.</p> <p>On-going monitoring of service performance was identified as an area</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					that would benefit some improvement; i.e Performance indicators. However given the size of the team and the number of audits completed, it is thought that performance reporting to the Audit Committee is sufficient enough to demonstrate the valued added to the organisation.
<b>LGAN</b>	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	Y			The SLA between Lancashire County Council and Wyre Council includes performance targets and timescales.
<b>LGAN</b>	Does the CAE measure, monitor and report on progress against these targets?	Y			Work is monitored quarterly in respect of audit work with Lancashire County Council. The Wyre audit plan is monitored day-to-day with a report being considered by Audit Committee every six months.
<b>LGAN</b>	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	Y			The periodic self-assessment is undertaken by the Head of Governance (CAE) and reviewed by the Head of

Ref	Conformance with the Standard	Y	P	N	Evidence
	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.				Finance (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 took place in March 2018.
<b>LGAN</b>	Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?	Y			Previous peer reviews used the checklist recommended in CIPFA's Code of Practice. The assessment also included a review of the annual internal audit report which documents the achievement of the audit plan and its wider aims and objectives documented in the Audit Charter.
	<i>1312 External Assessments</i>				
	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	Y			The external assessment was completed in March 2018.
<b>LGAN</b>	Has the CAE considered the pros and cons for the different types of external assessment (ie 'full' or self-assessment plus 'independent validation')?	Y			The proposal from the Lancashire District Chief Auditors group which has been agreed by Audit Committee is to continue with the self-assessment and

Ref	Conformance with the Standard	Y	P	N	Evidence
					<p>use peer reviews to obtain the independent external validation.</p> <p>The annual self-assessment is carried out by the Head of Governance (CAE), scrutinised by the Head of Finance (Section 151 Officer) and presented to the Audit Committee. Wyre's first external assessment was March 2018. The External Auditor at the time (KPMG) received the self-assessment as part of the Audit Committee agenda and therefore had the opportunity to challenge the content.</p>
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	Y			<p>The Audit Committee agree that an external self-assessment will be carried out by the Head of Governance (CAE), scrutinised by the Head of Finance (Section 151 Officer) and presented to the Audit Committee and that every 5 years the review will be independently validated by a peer review. Wyre's assessment was completed 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</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					qualifications and independence.
<b>LGAN</b>	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	Y			These requirements form the basis of the 'Memorandum of Understanding'.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	Y			
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity c) sector (ie the public sector) d) industry (ie local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.				
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	sufficient competence to carry out the external assessment?				
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.			N	
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>				
	Has the CAE reported the results of the QAIP to senior management and the board?	Y			The Internal Audit Annual Report reports the results of the QAIP to Audit Committee. The results of the internal assessment of the internal audit function are scrutinised by the Head of Finance (Section 151 Officer) and presented to the Audit Committee.
	Note that:				
	a) the results of both external and periodic internal assessment must be communicated upon completion	Y			The internal assessment is reported to Audit Committee annually in May. The External Assessment took place in March 2018.
	b) the results of ongoing monitoring must be communicated at least annually	Y			Both the Internal Audit Annual Report and the Internal Audit Charter refer to the

Ref	Conformance with the Standard	Y	P	N	Evidence
					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 QAIP is reported in the annual report. No gaps have been highlighted following the assessment of the internal audit service that need reporting in the internal audit annual report or the Annual Governance Statement for 2018/19.
	<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	Y			The self-assessment is reviewed by the Head of Finance (Section 151 Officer) and reported to the Audit Committee.
	<i>1322 Disclosure of Non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	N/A	N/A	N/A	There are no instances of non-conformance with the PSIAS.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been	N/A	N/A	N/A	There are no significant deviations that require reporting in the AGS.



Ref	Conformance with the Standard	Y	P	N	Evidence
	evidenced?				
<b>4</b>	<b>Performance Standards</b>				
<b>4.1</b>	<b>2000 Managing the Internal Audit Activity</b>				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	Y			This is demonstrated by achievement of the audit plan, the annual audit report, the annual governance statement and also feedback from clients.
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	Y			It can be demonstrated through a number of documents, namely; <ul style="list-style-type: none"> <li>• Audit plan</li> <li>• Audit Charter / Code of Ethics</li> <li>• Audit Reports / working papers</li> <li>• Client Feedback</li> <li>• Annual audit report</li> <li>• Annual Governance Statement</li> </ul>
	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

Ref	Conformance with the Standard	Y	P	N	Evidence
					monitored through the performance appraisal scheme.
	Does the internal audit activity add value to the organisation and its stakeholders by				
	a) Providing objective and relevant assurance?	Y			Internal audit reports provide objective and relevant assurance. If control weaknesses are identified, action plans are put in place to facilitate improvement.
	b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control 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			The audit plan is formulated following discussions with Senior Managers, consideration of the council's business plan and strategic risk registers. Operational risk registers are also reviewed.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	Y			The audit plan is formulated taking into consideration the areas on which the Head of Governance (CAE) is required

Ref	Conformance with the Standard	Y	P	N	Evidence
					to provide assurance in the annual audit report.
	Does the risk-based plan take into account the organisation's assurance framework?	Y			The audit plan considers the council's risk registers, business plan, priority projects / objectives and also any emerging threats, opportunities for fraud etc.
	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:				
	a) How the internal audit service will be delivered?	Y			Documented in the Audit Charter / Code 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

Ref	Conformance with the Standard	Y	P	N	Evidence
					which lists the key objectives and actions for the organisation as a whole.
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	Y			<p>Local and national risks are identified through the following;</p> <ul style="list-style-type: none"> <li>• Strategic / operational risk workshops</li> <li>• Networking and attendance at group auditor meetings;</li> <li>• Meetings with the External Auditor; and</li> <li>• Reading and research.</li> </ul> <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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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	
<b>LGAN</b>	Does the risk-based plan set out the:				
	a) Audit work to be carried out?	Y			The audit plan lists the nature of the audit work.
	b) Respective priorities of those pieces of audit work?	Y			The plan itself does not list the priority of the work to be completed, however at the start of the year the audits will be prioritised and a start date will be agreed between the Head of Governance (CAE), Senior Auditor and the Head of Service.
	c) Estimated resources needed for the work?	Y			This is documented in the audit plan.
<b>LGAN</b>	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.
<b>LGAN</b>	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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	Y			The plan is flexible. If any new risks emerge during the year or new systems are implemented the contingency will be used initially. If this resource has already been used it may be that some work on the audit plan may slip to the next year. Any changes or deviation from the audit plan will be reported to the audit committee.
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	Y			The process that is undertaken to formulate the audit plan is an annual risk assessment.
	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.
<b>LGAN</b>	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 2018/19.
	b) The requirement to use specialists, eg IT or contract and procurement auditors?	N/A	N/A	N/A	The Senior Auditor has the necessary qualifications and skill set to carry out any audit. However if a piece of work was to be carried out that would require

Ref	Conformance with the Standard	Y	P	N	Evidence
					a specialist auditor skill set, an external audit organisation would be contacted.
	c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?	Y			A contingency / investigation resource is set aside.
	d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	Y			Time to plan each audit is factored into the number of days allocated for each piece of work. Attendance at Audit Committee, development of the annual report and other Head of Governance (CAE) activities is listed separately on the audit plan.
	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			The annual audit report is scrutinised by the Head of Finance (Section 151 Officer) and is also presented to the Audit Committee for consideration. The document would be amended accordingly, recognising comments made, recommendations, changes etc.  In regards to audit report opinions, the

Ref	Conformance with the Standard	Y	P	N	Evidence
					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.
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	Y			It is hoped that shared good practice will take place between the two organisations in relation to risk management, internal control and information governance.
	Are consulting engagements that have been accepted included in the risk-based plan?	Y			The risk based plan has been amended to make provision for the 55 days that the Head of Governance (CAE) will spend on-site at Lancaster City Council. Lancashire County Council will be used to back-fill any work if needed.
	<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.



Ref	Conformance with the Standard	Y	P	N	Evidence
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	Y			A six monthly update is provided for the Audit Committee which includes any deviations from the audit plan.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	Y			Resource limitations would be reported to senior management and the Audit Committee where appropriate as part of the update report.
	<i>2030 Resource Management</i>				
	Does the risk-based plan explain how internal audit's resource requirements have been assessed?				The internal audit resource requirements are documented in the Audit Charter. The Audit Committee are only presented with the audit plan showing the total number of audit days committed and the number of days in which each piece of work will be completed. They are aware of the size of the audit section and have the opportunity to challenge the plan if they feel there is insufficient coverage. Benchmarking was carried out in 2016 with neighbouring authorities to ensure that the number of audit days / staff is

Ref	Conformance with the Standard	Y	P	N	Evidence
					consistent with other similar sized authorities.
<b>LGAN</b>	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.
<b>LGAN</b>	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?  This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	Y			There is an opportunity for the Head of Governance (CAE) to comment on sufficiency of resources where appropriate; although it is considered that the resource available is currently sufficient to deliver the audit plan. The team is small; however this is supported by a partnership with Lancashire County Council (LCC) to provide a further 70 days if required. In addition the SLA for LCC does have a contingency to cover for absence of key audit staff.
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Y			Standardised working papers and a reporting format has been developed. The council's intranet (SharePoint) is used to store key documents that guide audit activity i.e. Audit Charter / Code of Ethics, Risk Management Policy and

Ref	Conformance with the Standard	Y	P	N	Evidence
					other CIPFA guidance. The Senior Auditor has been issued with the PSIAS and CIPFA's Application Note.
<b>LGAN</b>	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.
<b>LGAN</b>	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Y			Annually reviewed.
	<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, Local Government Ombudsman.
<b>LGAN</b>	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	Y			Quarterly meetings are held with External Audit to update them on the

Ref	Conformance with the Standard	Y	P	N	Evidence
	other internal and external providers of assurance and consulting services?				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.
<b>LGAN</b>	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	Y			Both internal and external audit plans are shared and communicated publically at Audit Committee.  Quarterly meetings are held with the External Auditor and the Head of Finance (S151 Officer) to discuss the progress made in implementing the audit 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			The Head of Governance (CAE) will update the Head of Finance (Section 151 Officer) on a regular basis.  Six monthly audit and risk management update reports are submitted to the Audit Committee.  The Audit Chairman and the External Auditor will receive verbal updates on

Ref	Conformance with the Standard	Y	P	N	Evidence
					any frauds / whistleblowing cases. The Audit Committee receives internal audit's Audit Charter / Code of Ethics annually which covers its purpose, authority and responsibility.
	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			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.
	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	Y			Documented within the SLA between Lancashire County Council and Wyre Council.

Ref	Conformance with the Standard	Y	P	N	Evidence
	effective internal audit activity remains with the organisation?				
<b>4.2</b>	<b>2100 Nature of Work</b>				
	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.
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	Y			Similar working formats, working papers and reports are used by Lancashire County Council thereby contributing to improvement.
	<i>2110 Governance</i>				
	Does the internal audit activity:				
	a) Promote appropriate ethics and values within the organisation?	Y			All reported concerns are followed up e.g. members exerting influence.  A recent ethical governance surveys has been conducted to promote behaviours and values and identify gaps in

Ref	Conformance with the Standard	Y	P	N	Evidence
					knowledge and understanding. A report of the findings will be published in June 2019.
	b) Ensure effective organisational performance management and accountability?	Y			<p>Managers are held accountable for actions in audit reports and findings from previous audit reports are followed up by the audit team.</p> <p>Performance management is scheduled in the audit plan bi-annually.</p> <p>The Human Resources Team monitor the performance of key projects within the business plan and report regularly to the Overview and Scrutiny Committee.</p>
	c) Communicate risk and control information to appropriate areas of the organisation?	Y			<p>Regular risk workshops take place with Heads of Service and the risk registers are on BRIAN for all staff to view.</p> <p>Audit reports are issued to the staff responsible for the area being audited.</p> <p>The Audit Committee and the Executive receive regular updates on risk management.</p> <p>A governance assurance meeting is carried out prior to the completion of the</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					Annual Governance Statement. This is attended by key officers of the council.
	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.
	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. An action plan will be formulated in June 2019.
	b) implementation, and	Y			
	c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	Y			



Ref	Conformance with the Standard	Y	P	N	Evidence
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	Y			There is set number of days in the audit plan to cover IT governance if required. Lancashire Council Council attend the IT network group on behalf of the council and will inform us of any new developments, potential risk areas or audits that would be beneficial to improve the IT control environment.
<b>LGAN</b>	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.
	<i>2120 Risk Management</i>				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:				
	a) Organisational objectives support and align with the organisation's mission?	Y			Documented in the business plan.
	b) Significant risks are identified and assessed?	Y			The business plan / service plans are used to identify and assess significant risks that would prevent the organisation from meeting its organisational objectives.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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			<p>Fraud risks are considered during the operational and strategic risk workshops.</p> <p>The council takes part in the NFI process.</p> <p>The Head of Governance (CAE) regularly tests compliance to the council's counter fraud policies.</p> <p>Information concerning potential fraudulent activity is shared (National reports and Lancashire Audit Group).</p> <p>There is a Compliance Team within the contact centre that focus on investigating corporate fraud including fraudulent claims for council tax support, falsely</p>

Ref	Conformance with the Standard	Y	P	N	Evidence
					claimed council tax and business rate discounts and exemptions and council tax and business rate avoidance cases.
	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			The Audit and Risk Management Section only facilitate the process and hold and maintain the risk registers. Risk owners are assigned for each risk identified and they are responsible for ensuring that risk is managed during the year.
	<i>2130 Control</i>				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:				
	a) Achievement of the organisation's strategic objectives?	Y			These areas are covered as part of the audit planning process.
		Y			Audits of key financial systems are

Ref	Conformance with the Standard	Y	P	N	Evidence
	b) Reliability and integrity of financial and operational information?				conducted every 2/3 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 control processes?	N/A	N/A	N/A	There are no such engagements undertaken presently.
<b>4.3</b>	<b>2200 Engagement Planning</b>				
	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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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			
	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			

Ref	Conformance with the Standard	Y	P	N	Evidence
	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:				
	a) Objectives?	N/A	N/A	N/A	There are no audits performed for parties outside of the organisation.
	b) Scope?	N/A	N/A	N/A	
	c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	N/A	N/A	N/A	
	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:				
	a) Objectives?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	b) Scope?	N/A	N/A	N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence
	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.
	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			



Ref	Conformance with the Standard	Y	P	N	Evidence
	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.
<b>LGAN</b>	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			<p>The 'value for money' aspect of any service / control is considered during each review.</p> <p>If there has been any work on VFM this will be documented within the report.</p>
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed	Y			The job description for the interim CAE sets out the requirements of the role; in

Ref	Conformance with the Standard	Y	P	N	Evidence
	with the client?				particular around governance, risk management and internal control.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	Y			In addition the job description refers to compliance with the PSIAS which both organisations comply with.
	<i>2220 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to 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:				
	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			

Ref	Conformance with the Standard	Y	P	N	Evidence
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate:				
	a) Systems?	Y			Yes were applicable; i.e review of YMCA.
	b) Records?	Y			
	c) Personnel?	Y			
	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 that have arisen during an assurance engagement.
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?	N/A	N/A	N/A	
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	If the internal auditors developed any reservations about the	N/A	N/A	N/A	

Ref	Conformance with the Standard	Y	P	N	Evidence
	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?				
	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:				
	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>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	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 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

Ref	Conformance with the Standard	Y	P	N	Evidence
<b>4.4</b>	<b>2300 Performing the Engagement</b>				
	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 clarification.
	b) Analyse sufficient information?	Y			
	c) Evaluate sufficient information?	Y			
	d) Document sufficient information?	Y			
	<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			

Ref	Conformance with the Standard	Y	P	N	Evidence
	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.
<b>LGAN</b>	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.  The Senior Auditor is experienced in the areas she is required to audit throughout the council and remains alert to any weaknesses / control failings.
	b) errors and omissions	Y			
	c) poor value for money	Y			
	d) failure to comply with management policy, and	Y			
	e) conflicts of interest	Y			
	when performing their individual audits, and has this been documented?	Y			Documented in standardised working papers.
	<i>2330 Documenting Information</i>				

Ref	Conformance with the Standard	Y	P	N	Evidence
	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.
<b>LGAN</b>	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 and/or legal counsel as appropriate before releasing such records to external parties?	N/A	N/A	N/A	Audit files have not been released to external parties other than the council's External Auditor.
	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.



Ref	Conformance with the Standard	Y	P	N	Evidence
	<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.
<b>4.5</b>	<b>2400 Communicating Results</b>				
	Do internal auditors communicate the results of engagements?	Y			Audit reports are issued as appropriate to Service Directors, Heads of Service, key operational staff with the Audit Committee and the External Auditor reviewing all audit reports.
	<i>2410 Criteria for Communicating</i>				
	Do the communications of engagement results include the following:				
	a) The engagement's objectives?	Y			A standardised report format is used ensuring that each of the criteria is communicated.
	b) The scope of the engagement?	Y			

Ref	Conformance with the Standard	Y	P	N	Evidence
	c) Applicable conclusions?	Y			
	d) Recommendations and action plans, if appropriate?	Y			
<b>LGAN</b>	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.
<b>LGAN</b>	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	Y			<p>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 / efficiencies in service delivery.</p> <p>Lancashire County Council recommendations are prioritised as Extreme, High, Medium or Low and appropriate timescales can be agreed with the auditor.</p>
<b>LGAN</b>	If recommendations and an action plan have been included, does the communication also state agreements already reached with	Y			The action plan identified the management response and timescales for action.

Ref	Conformance with the Standard	Y	P	N	Evidence
	management, together with appropriate timescales?				
<b>LGAN</b>	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.
<b>LGAN</b>	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.
<b>LGAN</b>	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	Y			The internal auditor's opinion and conclusions are clearly visible.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	Y			Closure meetings are held with clients and audit reports are scrutinised by the Head of Finance (Section 151 Officer) and reported to the Audit Committee.
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	Y			Confirmed by the Head of Governance (CAE) who reviews all audit files.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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.
<b>LGAN</b>	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 organisation to which they are obliged to provide internal audit services?	N/A	N/A	N/A	Internal Audit have not been asked to provide assurance to any partnership organisations.
	<i>2420 Quality of Communications</i>				
	Are communications:				
	a) Accurate?	Y			All documents are reviewed by the Head of Governance (CAE). Review notes are provided to correct any work that does not meet quality standards.
	b) Objective?	Y			
	c) Clear?	Y			
	d) Concise?	Y			Closure meetings are also used to agree factual accuracy of the report and findings.

Ref	Conformance with the Standard	Y	P	N	Evidence
	e) Constructive?	Y			Feedback is used to ensure auditees are happy with how the audit was conducted.
	f) Complete?	Y			
	g) Timely?	Y			<p>The client is provided with an opportunity to challenge whether they consider the report to be constructive as part of the closure meeting and again by attending Audit Committee if appropriate.</p> <p>The timeliness of reports is monitored and reported to Audit Committee.</p>
	<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.

Ref	Conformance with the Standard	Y	P	N	Evidence
	<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 engagement results?	N/A	N/A	N/A	
	<i>2440 Disseminating Results</i>				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?	Y			Reporting arrangements are documented within the Audit Charter.
	Has the CAE communicated engagement results to all appropriate parties?	Y			Audit reports are issued as appropriate to Service Directors, Heads of Service, key operational staff with the Audit Committee and the External Auditor receiving all audit reports.

Ref	Conformance with the Standard	Y	P	N	Evidence
	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.
	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 these communicated to senior management and the board?	N/A	N/A	N/A	There are no such engagements undertaken presently.
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	Y			Presented to Audit Committee in May.
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	Y			See report presented to Audit Committee in May.
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other	Y			The annual audit report is scrutinised by the Head of Finance (Section 151 Officer) and presented to Audit

Ref	Conformance with the Standard	Y	P	N	Evidence
	stakeholders?				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 council's system of internal control, it should be noted that assurance can never be absolute. Internal audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed.
	c) The consideration of all related projects including the reliance on other assurance providers?	Y			
	d) The risk or control framework or other criteria used as a basis for the overall opinion?	Y			
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	N/A	N/A	N/A	Where a qualified or unfavourable opinion was given this would be fully explained in the annual audit report.
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	Y			See annual governance statement and section entitled 'review of effectiveness'.
	Does the annual report incorporate the following:				



Ref	Conformance with the Standard	Y	P	N	Evidence
	a) The annual internal audit opinion?	Y			See annual audit report considered by the Audit Committee in May.
<b>LGAN</b>	b) A summary of the work that supports the opinion?	Y			
<b>LGAN</b>	c) A disclosure of any qualifications to the opinion?	N/A	N/A	N/A	
<b>LGAN</b>	d) The reasons for any qualifications to the opinion?	N/A	N/A	N/A	
<b>LGAN</b>	e) A disclosure of any impairments or restriction in scope?	Y			
<b>LGAN</b>	f) A comparison or work actually carried out with the work planned?	Y			
	g) A statement on conformance with the PSIAS?	Y			
<b>LN</b>	h) The results of the QAIP?	Y			
<b>LGAN</b>	i) Progress against any improvement plans resulting from the QAIP?	Y			
<b>LGAN</b>	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	

Ref	Conformance with the Standard	Y	P	N	Evidence
<b>4.6</b>	<b>2500 Monitoring Progress</b>				
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Y			At the end of each financial year a sample of recommendations will be selected to ensure they have been implemented as intended.
	Where issues have arisen during the follow-up process, has the CAE considered revising the internal audit opinion?	N/A	N/A	N/A	Whilst no significant issues have arisen during 2018/19, up-to-date action plans would be provided with new actions required / dates etc. The audit opinion would not be changed until the next full review.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	Y			If there has been little progress made in implementing recommendations, it is highly likely that the audit will feature on the next years audit plan.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	N/A	N/A	N/A	There are no such engagements undertaken presently.
<b>4.7</b>	<b>2600 Communicating the Acceptance of Risks</b>				
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or	N/A	N/A	N/A	The Head of Governance (CAE) has not concluded this to date but would refer the matter to the Head of Finance

Ref	Conformance with the Standard	Y	P	N	Evidence
	she discussed the matter with senior management?				(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
Head of Finance (Section 151 Officer)	Audit Committee	28 May 2019

## INTERNAL AUDIT ANNUAL REPORT 2018/19

### 1. Purpose of report

- 1.1 To approve the Internal Audit Annual Report for 2018/19 and review progress in relation to risk management activity.

### 2. Outcomes

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

### 3. Recommendation

- 3.1 Members are asked to note the Internal Audit Annual Report attached at Appendix 1, the Risk Management Progress Report at Appendix 2 and the Strategic Risk 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, Risk Management progress report and Strategic Risk review 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	<a href="mailto:Joanne.billington@wyre.gov.uk">Joanne.billington@wyre.gov.uk</a>	15.05.2019

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

### List of appendices

Appendix 1 – Internal Audit Annual Report 2018/19

Appendix 2 – Risk Management Progress Report – Operational, Strategic and ICT Risks

Appendix 3 – Strategic Risk Review

### INTERNAL AUDIT ANNUAL REPORT 2018/19

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

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

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

Internal Audit continues to provide the council with the necessary assurance about its various activities and associated systems, as outlined in the council's Internal Audit Charter. In addition, the audit service has recently received validation following a peer review on its self-assessment of effectiveness of internal audit. Details of this peer review can be found later in this report.

This year (2018/19) 40 days of audit support were contracted out to Lancashire County Council (LCC) at a rate of £365 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 LCC to ensure that quality and standards are maintained.

Electronic internal feedback review forms are distributed after each audit review. In 2018/19 the feedback received indicated that the work of internal audit continues to be highly regarded.

The original audit plan for 2018/19 comprised a total of 21 audit reviews. However owing to a member of the Audit and Risk Management Team leaving the organisation at the end of November, the Senior Auditor has taken on additional responsibilities in the short term whilst a recruitment exercise was completed. Following a discussion around the risks in each instance, a decision was made by the Section 151 Officer and the Head of Governance to roll four audits into the following 2019/20 audit plan. This was approved by the Audit Committee on the 13 November 2018. The audits rolled to the 2019/20 audit plan are as follows;

- Grant Management
- Better Care Fund



- Street Cleansing
- Go Cardless

The majority of the amended audit plan work for 2018/19 will be completed within the agreed number of days and within budget. One audit (Building Maintenance) has been moved to 2019/20 owing to delays in the aforementioned recruitment process. Fieldwork has now commenced and it is anticipated that a draft report will be issued in July 2019. No budget implications will arise as a result of this.

## **Audit Work Performed in 2018 / 2019**

Summarised below are the reviews that have been performed and reports issued in 2018/19. Final reports are published in full on the Council's Intranet site.

### **Lancashire County Council reports**

#### **AUDIT ASSURANCE DEFINITIONS**

Substantial Assurance	The framework of control is adequately designed and/or effectively operated.
Moderate Assurance	The framework of control is adequately designed and/or effectively operated overall, but some action is required to enhance aspects of it and/or ensure that it is effectively operated throughout.
Limited Assurance	There are some significant weaknesses in the design and/or operation of the framework of control that put the achievement of its objectives at risk.
No Assurance	There are some fundamental weaknesses in the design and/or operation of the framework of control that could result in failure to achieve its objectives.

#### **DEFINITION OF RESIDUAL RISK**

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

TITLE	STATUS	RECOMMENDATIONS				Summary
		Extreme	High	Med	Low	
Payroll – HR21	Final Report Issued October 18	0	0	0	0	Overall, LCC were able to provide <b>substantial assurance</b> over the internal controls reviewed for Payroll. No recommendations were made following this review.
Housing Benefit Overpayments	Fieldwork in-progress					Fieldwork is near completion and initial feedback from the Auditor has been provided to the Head of Governance. It is expected that <b>moderate assurance</b> will be provided on the controls in respect of the processing of housing benefit overpayments. Minor issues have been identified which will be reported accordingly.
Project Management	Final Report Issued November 2018	0	0	3	3	Overall, LCC were able to provide <b>moderate assurance</b> over the internal controls reviewed for Project Management.
Follow-up Audit Work from the 2017/18 Audit Plan	Fieldwork in-progress	N/A	N/A	N/A	N/A	<p>At the time of publication, testing was still being completed to identify the percentage of 'Level 1 and Level 2' audit recommendations that had been completed as part of the 2017/18 audit plan. Initial feedback from the Auditor is that there are a number of agreed recommendations that have not been implemented as originally agreed. A memorandum will be issued to the Audit Committee and External Audit once this work has been completed.</p> <p>From April 2019, all audit reviews will be followed up as and when agreed actions timescales have passed. Following evidence of implementation, assurance ratings will be re-issued.</p>

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## Wyre Council Reports

### 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 deliver service objectives.
Poor	Controls are generally weak or non-existent leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore unmanaged

### 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 material effect 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		
<b>Stray Dog Seizure and Kennelling Service</b>	<b>Final Report Issued</b>  <b>November 2018</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>Good</b>	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• Documented procedures require updating to reflect the revised enforcement procedures;</li> <li>• No evidence is retained to demonstrate that the Area Officers have read and understood the safe working procedures and risk assessments;</li> <li>• Enforcement procedures are not consistently applied by the Area Officers during office hours; and</li> <li>• Manual handling training has not been updated for all Area Officers.</li> </ul>
<b>Homeless Reduction Scheme</b>	<b>Final Report Issued</b>  <b>November 2018</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>Good</b>	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• The draft 2018-2022 homelessness strategy has not been formally agreed and published;</li> <li>• Monthly reviews of all outstanding cases have not been routinely completed in all instances;</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> <li>• Copies of the notifications issued to customers have not been retained in all instances;</li> <li>• Evidence of the caseload reviews completed by the Team Leader is not retained;</li> <li>• All enquiries received by the Housing Options team are not recorded enabling these to be accurately measured;</li> <li>• Wyre Council are the only Lancashire authority who use the Homeless Advice System (HAS) and continued support for this system should be assessed;</li> <li>• The current data sharing agreement issued to all agencies and partners requires updating; and</li> <li>• Evidence of fire and public liability insurance certificates for bed and breakfast accommodation is outstanding.</li> </ul>
<b>CCTV – Compliance with the General Data Protection Regulations</b>	<b>Final Report Issued</b>  <b>May 2019</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>Good</b>	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• Reviews of some of the CCTV systems installed in other council buildings are still required;</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> <li>• A privacy impact assessment has not been completed for the Wyre Council town centre CCTV system;</li> <li>• Details of the complaints procedure is not included on the website page to improve access to this;</li> <li>• A revised data sharing agreement has yet to be completed by Lancashire County Council;</li> <li>• Random sample checks of the footage collected by each operator are not completed and documented;</li> <li>• Annual reviews of the effectiveness of the system and location of cameras are not routinely completed;</li> <li>• Knowledge of the technical aspects of the CCTV system are limited;</li> <li>• External certification has not been obtained for the Wyre Council town centre CCTV system;</li> <li>• An accurate audit trail showing user access to the main database is not available owing to the use of a generic username;</li> <li>• Periods away from the control room are not routinely recorded by operators and visitors to the control room do not record their attendance in all instances; and</li> <li>• Replacement of CCTV equipment is reliant on external funding as this is not</li> </ul>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								included in the council's capital programme.
<b>New MOT Station / Copse Road Depot</b>	<b>Final report Issued December 2018</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>Excellent</b>	<p>Only two areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• MOT site management checks are not documented to evidence their completion; and</li> <li>• A contract or service level agreement is not in place for the maintenance of the depot security alarms and CCTV monitoring processes.</li> </ul>
<b>Taxi Licencing</b>	<b>Final Report Issued March 2019</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>Good</b>	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• Evidence that drivers have signed up to the DBS updating service is not held in all instances;</li> <li>• A number of drivers and operators have not completed any safeguarding or Child Sexual Exploitation training;</li> <li>• The segregation of duties within the licensing team is limited owing to the size of the team;</li> <li>• Outstanding renewals of driver and vehicle licences are not followed up;</li> </ul>



TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> <li>• Evidence of the V5 log book or V5c is not held on file for all vehicles;</li> <li>• Compliance with operator licence conditions cannot be demonstrated owing to the lack of evidence held on file;</li> <li>• Pro-active enforcement checks are not currently completed;</li> <li>• Evidence of a valid insurance policy is not supplied by all drivers following renewal of their insurance policy;</li> <li>• Evidence of the repairs completed by vehicle owners is not obtained in all instances following the issue of MOT advisory notice; and</li> <li>• All complaints received are not routinely recorded.</li> </ul>
Car Parking – New Machines	<p><b>Draft Report Issued</b></p> <p><b>February 2019</b></p>	0	0	1	1	2	<b>Good</b>	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• There is no staff cover for when the Engineering Technical Support Officer is away from work; and</li> <li>• Cash anomalies are not always investigated in a timely manner.</li> </ul>
Critiqom Mail Service	<b>Draft Report Issued</b>	1	1	0	1	0	<b>Good</b>	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
	February 2019							<ul style="list-style-type: none"> <li>• A privacy impact assessment for the Critiqom contract has not been completed:</li> <li>• Critiqom has not been implemented for hybrid mail across the council; and</li> <li>• Inspections of the security controls / processes at Critiqom are not completed periodically.</li> </ul>
SOCITM – Follow-up work	No Report Issued	N/A	N/A	N/A	N/A	N/A	Good	<p>The action plan issued with the original SOCITM report in February 2018 has been reviewed and evidence supplied to demonstrate agreed actions are being implemented in a timely manner. A review completed in April 2019 identified that good progress is being made and only a few minor actions are outstanding. These will continue to be monitored until completion by the Service Director Performance and Innovation.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of ‘<b>good</b>’ is appropriate given the progress made in completing the agreed actions.</p>
GDPR Compliance Work	No Report Issued	N/A	N/A	N/A	N/A	N/A	Good	30 days were allocated as part of the 2018/19 audit plan to assist the council in ensuring compliance with the new General Data Protection Regulations (GDPR).

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>Since April 2018, time has been spent by the Senior Auditor ensuring all services have accurate privacy notices displayed on the website, Information Asset Registers are being formulated and data sharing agreements are either in place or are in the process of being developed for any areas where data is being shared with a third party on a regular basis.</p> <p>Whilst all privacy statements are now on the council's website, a small number of services are still to complete Information Asset Registers. Owing to the time taken in these two areas, no detailed compliance work has been completed around data sharing agreements. This will be picked up as part of the 2019/20 audit plan.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of '<b>good</b>' is appropriate following the compliance work completed during the year.</p>
<b>Marine Hall – Follow up of 2017/18 Audit</b>	<b>No Report Issued</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>Fair</b>	<p>Following a full review of Marine Hall in June 2018 a number of recommendations were made and an overall opinion of 'weak' was provided. In view of the low rating and at the request of the Head of Finance (Section 151 Officer) and the Audit Committee, regular follow-up reviews were completed by the Senior Auditor to ensure the actions were</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>implemented and controls were clearly understood by staff. The last follow-up in April 2019, prompted by a further cash discrepancy, which was subsequently found, identified that there were still weaknesses in controls and staff were not following agreed working practices as originally agreed in the action plan. Following this observation, the Senior Auditor compiled a further procedure note in respect of the management of the cash floats and requested that staff sign to confirm their understanding. In addition, the staffing restructure originally earmarked for completion in July 2018 has not been completed.</p> <p>The Commercial Manager is due to attend Audit Committee on the 18 June 2019 where an updated action plan will be circulated.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of <b>‘fair’</b> is appropriate following the April review, given that a number of agreed actions have already been implemented. However implementation of the agreed actions must continue to be monitored by the Commercial Manager to improve the overall control of cash handling and to implement the staffing restructure.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Health and Safety	No Report Issued	N/A	N/A	N/A	N/A	N/A	Fair	<p>Following a full review of Health and Safety in May 2014 a number of recommendations were made and an overall opinion of ‘fair’ was provided.</p> <p>A position statement has been completed in April 2019 with the Health and Safety Advisor. Significant progress has been made by the Health and Safety Advisor in implementing the agreed actions, however further work is still required to give full assurance around asbestos and Legionella management, therefore for the purpose of this Annual Audit Report, given the seriousness of both these areas, the overall opinion remains unchanged. However, these areas will be examined as part of the Building Maintenance audit that is currently being undertaken.</p>
New Money Laundering Regulations – Follow-up	No Report Issued	N/A	N/A	N/A	N/A	N/A	Good	<p>The Council’s compliance with the Anti-Money Laundering Policy and procedure were originally reviewed in January 2017. Since this time, the Regulations were amended in 2018, resulting in the Money Laundering Officer (MLO) and the Deputy MLO attending external training. Following this, the MLO requested that Internal Audit complete a further piece of work to ensure the council were still compliant with the new regulations.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>A list of relevant officers have been identified and an Ethical Governance Survey has identified that there are gaps in officer knowledge and their understanding of the Anti- Money Laundering Policy. The Policy is amended annually and a message was posted on the council's intranet advising staff of the updated policy and where to access it and a link was included in the August 2018 Core Brief for all staff.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of <b>'good'</b> is appropriate.</p>

## **Other audit work undertaken:**

### **Investigations**

There have been no internal investigations carried out by Internal Audit during 2018/19.

### **National Fraud Initiative – Cabinet Office data matching exercise**

The Council is currently participating in the 2018/19 data matching exercise. Following the upload of the necessary data in September 2018, the Council has received the data matches that require investigation. At present a number of officers across the organisation are in the process of examining matches to identify if there are any error, fraud or overpayments. The results of this data matching exercise will be reported to the Audit Committee later in the year.

### **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 online E-form which staff are required to complete on receipt of any gift or hospitality. The E-form is then passed to the Head of Governance to be included on the Council's register. Since 1 April 2018 there have been 20 gifts and hospitality items registered, compared to 29 items registered in 2017/18. A reminder was issued to staff in December 2018 about the policy and the need to report any gifts or hospitality received.

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

The new Data Protection Act 2018 (the Act) and the enshrined General Data Protection Regulations (GDPR) came into force in May 2018. During 2018/19 the Data Protection Officer has been working with the Information Governance Group and the Senior Auditor to ensure the council's readiness. Significant work has been achieved during the year, namely;

- The implementation of Information Asset registers. All services (with the exception of Engineering who are still in the process of completing theirs) have now completed a register which includes the identification of all personal data held, its location, retention period and also the legal basis for processing;
- Information Asset Owners have been identified and trained;
- E-learning software has been purchased and all staff who process personal data have successfully completed the training;
- All 50 Elected Members were registered with the Information Commissioner;
- All council contracts (which involve personal data) are currently being reviewed to ensure they are GDPR compliant.
- All officers nominated to respond to Freedom of Information (FOI) and Subject Access requests have received training;
- All Elected Members and Parish and Town Councillors were offered training on their role as Data Controllers;
- The council's Legal Team have received specific FOI and Subject Access training to ensure they are able to give sound advice and apply the necessary exceptions;
- The council's website has been updated to reflect the new Act and the amended data subject rights.

Given the significant work completed, compliance to the GDPR was removed from the strategic risk register and also from the Council's Business Plan as a key project.. The Head of Governance now reports to Corporate Management Team on a quarterly basis and following the amendment of the Audit Committee Terms of Reference (June 2018), the Committee will receive regular updates and reports from the Head of Governance (Data Protection Officer) in relation to compliance with the Data Protection Act and Regulations made under the Act.

Whilst significant work has been completed during 2018/19, there is still some important work to be completed over the next 12 months, namely:

- Ensuring data sharing agreements are in place where personal data is shared externally on a regular basis;
- Continuing to review the council's contracts (which involve personal data) to ensure they are compliant;
- Refresh the council's Data Protection policies;
- Re-register all newly elected members and ensure they receive the necessary training; and
- Update the council's Intranet to reflect the new Act and the amended data subject rights.

Until this work has been completed, it is the opinion of the DPO that the Council may still be vulnerable in limited areas. Therefore, an operational risk has been established to ensure this continues to be monitored. In the event of a challenge from the Information Commissioner should a data breach occur, every effort will be made to mitigate the consequences.

### **Counter Fraud and Corruption**

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

A recent Ethical Governance Survey has been completed by the Head of Governance to test staff knowledge and understanding of these policies. A report of the findings and any subsequent actions required to address any gaps in knowledge and understanding will be published in June 2019.

### **Effectiveness of Internal Audit Review**

In accordance with the Accounts and Audit Regulations 2015, paragraph 6 (1) requires the relevant body, each financial year to conduct a review of the effectiveness of its system of internal audit. The review recognises the important role that internal audit play in the assurance process and the need to continually ensure that it remains effective. The last annual review completed by the Head of Governance and ratified by the Head of Finance (Section 151 Officer) in May 2019 identified no issues that required following-up or reporting in the 2018/19 Annual Governance Statement.

In addition, in order to comply with the PSIAS an external assessment must be conducted at least once every five years by a qualified independent assessor or



assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment in-house with independent external validation. It was agreed by the Lancashire District Chief Auditors group and validated by the Audit Committee, that peer reviews would be used to obtain the independent external validation. Wyre Council's assessment was completed in April 2018. The report was presented to the Audit Committee on the 19 June. Only three minor issues were identified, all of which have been considered and implemented where appropriate.

### **Quality Assurance Improvement Programme**

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

The internal assessments include the following:

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

External assessments include:

- A five 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 following the external validation in April 2018 and the self-assessment dated May 2019 there are no deviations to report in the 2018/19 Annual Governance Statement.

### **COMPLIANCE TEAM**

Wyre's Compliance Team investigates alleged irregularities across a range of areas. These include but are not limited to:

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

The council has also recently introduced 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 overpayments which do not meet the Single Fraud Investigation Service current investigation threshold. To date, 109 Housing Benefit and 47 Council Tax penalties have been issued. That equates to £8,740 in financial penalties. The team also concentrate some of its resources on mostly preventative functions such as fraud awareness training.

### **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 Lancashire County Council during 2018/19 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.

#### **Lancashire County Council (LCC) Reports**

Audit Opinion	Substantial	Moderate	Limited	No Assurance	Total
---------------	-------------	----------	---------	--------------	-------

Number of Audits	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>
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No report has been issued for the follow-up review of 2017/18 audit recommendations as explained in the table above. A memorandum will be issued to Audit Committee and External Audit once this work has been completed. It is expected that this should be in June 2019.

### **Wyre Council Reports**

Audit Opinion	Excellent	Good	Fair	Weak	Poor	Total
Number of Audits	<b>1</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>

No reports have been issued for five pieces of work (SOCITM, GDPR, Marine Hall, Anti Money Laundering and Health and Safety), as explained in the tables above. However for the purposes of this Annual Audit Report, overall opinions have been given following the work completed.

### **Chief Internal Auditor's opinion on the council's internal control environment**

**Of the 15 areas of work reviewed to date during 2018/19, I am pleased to note the following;**

**20% (3) of the areas of work reviewed have been issued with an audit opinion of 'excellent' (Wyre) or 'substantial' (LCC) assurance.**

**67% (10) of the areas of work reviewed have been issued with an audit opinion of 'good' (Wyre) or 'moderate' (LCC) assurance.**

**13% (2) of the areas of work reviewed have been issued with an audit opinion of 'fair' (Wyre).**

**It is pleasing to see that no work areas have been given either a 'weak' or poor' audit opinion (Wyre) or 'limited or 'no assurance' (LCC).**

**Taking into account all the areas that are listed above in respect of the internal control environment, it is my opinion that the council has in place satisfactory controls to be able to maintain an adequate and effective internal control environment and that there are no significant concerns that need to be reported in the Council's Annual Governance Statement for 2018/19.**

### **Note**

***At the time of publishing this audit opinion, the work on Building Maintenance had yet to be completed.***

## **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.

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

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

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

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

### **Strategic Risks**

The Corporate Management Team (CMT) met on the 1 February 2019 to carry out the annual strategic risk workshop. The workshop allows CMT, together with the Head of Governance, Senior Auditor and the Chairman of the Audit Committee the opportunity to review the current risk register and identify any new strategic risks.

Strategic risks and any subsequent action plans are reviewed every quarter. Any changes to the ratings are documented and supported by a valid reason and sufficient evidence. The results of quarterly updates will be reported verbally to the Audit Committee.

The results of the strategic risk workshop are attached at Appendix 3.

### **ICT Risks**

During 2017, SOCITM carried out an independent review of the council's ICT Service. A number of high level recommendations were made to improve the delivery of the service, one being the identification and compilation of an ICT risk register. This was completed in January 2018 and is reviewed quarterly by the Service Director Performance and Innovation, Head of Business Support and the Senior

Auditor. The next review is scheduled to be completed on the 20 May 2019 and a verbal update and a copy of the register will be provided at the meeting.



**Wyre Council - Audit and Risk Management**

**STRATEGIC RISK REVIEW**

**1 February 2019**

## Report Contents

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**Appendix A - Risk Profile**

**Appendix B - Risks above the appetite**

**Appendix C - Risks below the appetite**

**Appendix D - Risks removed from the register**

## Report Preparation

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

## Report Distribution

This report has been issued to:

- Garry Payne – Chief Executive
- Marianne Hesketh – Service Director of Performance & Innovation
- Mark Billington – Service Director of People & Places
- Mark Broadhurst – Service Director of Health & Wellbeing
- Clare James – Head of Finance (S151)
- Joanne Billington – Head of Governance
- Cllr L McKay – Audit Committee Chairman

## 1. Introduction

- 1.1 On the 1 February 2019 a strategic risk management workshop was facilitated by the Senior Auditor for Wyre Council in accordance with the council's annual risk management process.
- 1.2 This exercise was attended by the Corporate Management Team, Head of Finance, Head of Governance and Councillor McKay in her role as the Chairman of the Audit Committee. The session provided an opportunity to review the existing strategic risk register for Wyre Council and to identify and prioritise any new risks facing the Council in its delivery of its business plan for 2019/20.

## 2. Executive Summary

- 2.1 The last half yearly review of the strategic risk register was completed in October 2018 by the Corporate Management Team. This exercise allowed any changes since then, both in circumstance and direction, to be identified and reflected in the revised risks.
- 2.2 During the most recent review the group identified 2 new risks and concluded that 1 of the original 8 risks could be removed from the register. (Appendix D describes the risks and the reason for their removal from the register). The 7 risks remaining from the original register were reviewed in terms of likelihood and impact resulting in 4 retaining the same rating and 3 being amended.
- 2.3 A review of the risk appetite was completed resulting in the low likelihood and catastrophic impact risks falling below the risk appetite. There are now 8 risks above the risk appetite and 1 risk below. The completed matrix is shown in Appendix A.
- 2.4 Following the assessment the 8 risks above the risk appetite are as follows:

Risk Number	Description
18	Central government funding is insufficient to provide the current level of service.
23	The combination of the efficiency programme and delivery of commercial projects 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.
42	Business Rates Retention Reforms and the Fair Funding Review result in insufficient or unpredictable ongoing revenue to fund statutory services.
39	Funding from Lancashire County Council is withdrawn impacting on the delivery of services within Wyre.
43	The Digital Wyre Strategy is not delivered due to a lack of staff capacity and resources within the IT team.
45	Council services are disrupted following the UK withdrawal from the EU.
46	The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff.

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 In respect of the risk sitting below the appetite (Appendix C) it is important that the controls already in place are regularly reviewed to ensure these continue to sufficiently control this risk and no additional action is required to ensure that the likelihood and/ or impact does not alter significantly.

### **3.0. Approval**

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

### **4.0. Monitoring**

4.1 Reviewing or monitoring of risks is twofold. Firstly the action plans to manage the risks should be regularly monitored and secondly the risks above and below the line should be reviewed in terms of their position on

## Audit & Risk Management – Strategic Risk Review 2019

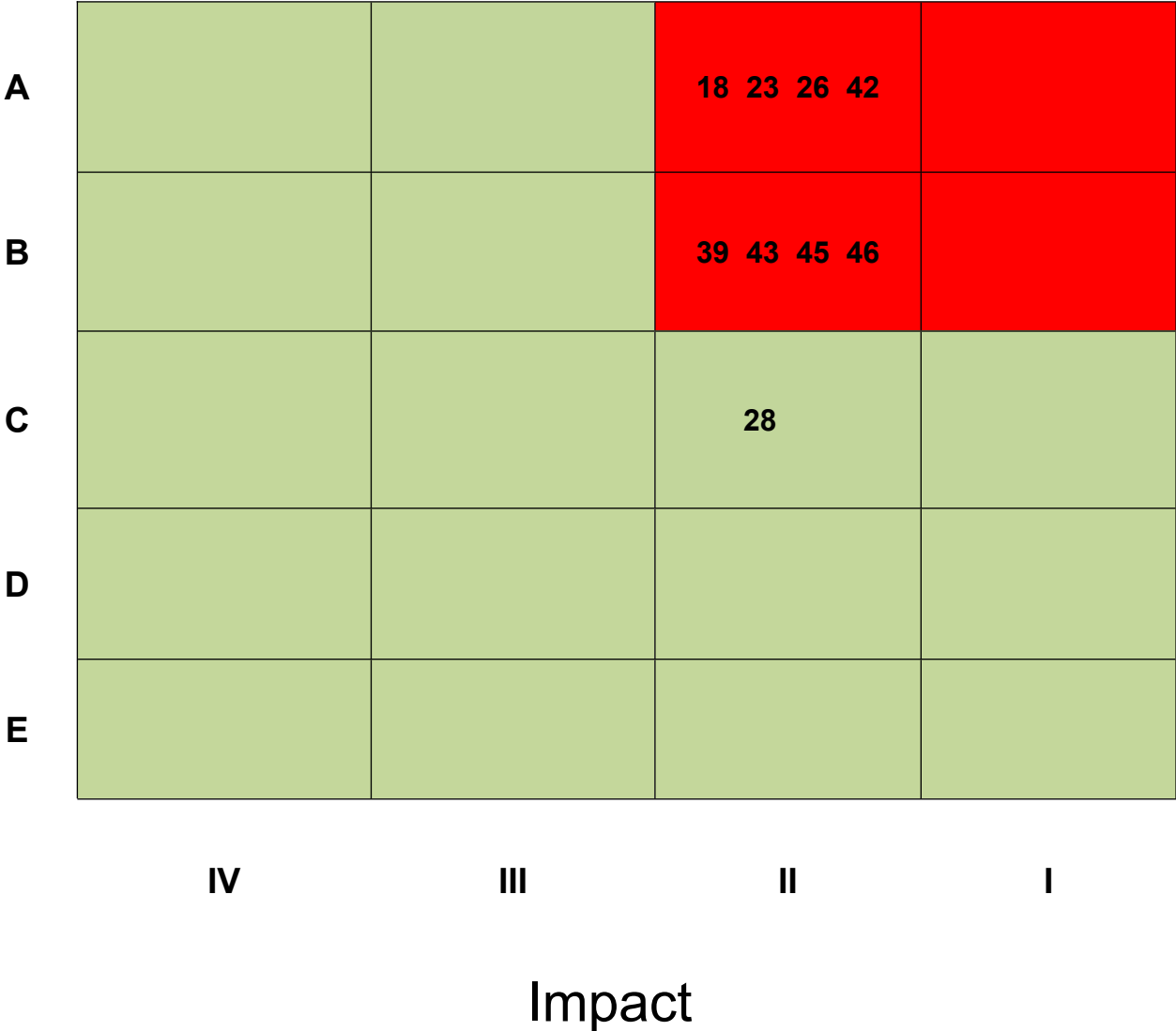
the matrix. Quarterly reviews of the action plans will be completed to demonstrate that risks above the appetite are being actively managed, with a half yearly review of all risks being completed in October 2019.

### **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 February 2019 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 2019/20.

Appendix A - Risk Profile

Likelihood  
Page 137



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

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

## Appendix B – Strategic risks above the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
18	Critical / High	Central Government funding is insufficient to provide the current level of service.	Funding for the 4 years commencing 2016/17 has been announced but there continues to be a funding gap in 2023/24 of £2.7m and uncertainty around the Fair Funding Review, Spending Review and NHB and negative RSG remains.	<ul style="list-style-type: none"> <li>• Further savings will need to be identified</li> <li>• The 4 year business plan may need to be reviewed in accordance with resources available</li> <li>• Negative impact on staff resulting from uncertainty about the future</li> </ul>	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"> <li>• Additional savings / cuts in services will be required</li> <li>• Members' trust in the Corporate Management Team and the SLT to deliver future savings will be affected</li> <li>• The impact of further reductions in government grants will be exacerbated</li> </ul>	CMT

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
26	Critical / High	The use of council assets is not maximised leading to insufficient funding to deliver capital projects.	Future capital investment is dependent on capital receipts from the sale of council assets.	<ul style="list-style-type: none"> <li>• Additional savings / cuts in services will be required.</li> <li>• Additional borrowing costs will exacerbate the funding gap</li> <li>• Assets will deteriorate and maintenance costs will increase</li> <li>• Resident satisfaction levels will reduce</li> </ul>	Marianne Hesketh
39	Critical / Significant	Funding from Lancashire County Council is withdrawn impacting on the delivery of services within Wyre.	Lancashire County Council have set a legal budget for 2018/19 but have announced that significant savings have to be achieved to reduce their funding gap beyond 2019/20.	<ul style="list-style-type: none"> <li>• Services are withdrawn</li> <li>• Increased council expenditure to continue with existing services</li> <li>• Adverse publicity</li> <li>• Reputational damage</li> <li>• Increased complaints from service users</li> </ul>	CMT
42	Critical / High	Business Rates Retention Reforms result in insufficient or unpredictable ongoing revenue to fund	Business Rates Reform of either 75% or 100% leads to volatile funding (impact of radical changes planned with regular baseline resets, economic recession and large appeals).	<ul style="list-style-type: none"> <li>• Impact on the settlement will not be known until December 2019 leaving little time to react and amend forecasts or refocus budgets</li> </ul>	Clare James

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		statutory services.		<ul style="list-style-type: none"> <li>An additional reserve may be required to mitigate the impact of any significant reductions in funding redistributed by central government and to smooth the impact over a transitional period.</li> <li>Further consequences linked to those risks 18 and 23.</li> </ul>	
43	Critical / Significant	The Digital Wyre Strategy is not delivered owing to a lack of staff capacity and resources within the ICT and Digital team.	The Digital Wyre Strategy is a key project within the 2018/19 business plan and there is concern that there is a lack of staff capacity, particularly within the ICT and Digital team, to deliver the projects within this.	<ul style="list-style-type: none"> <li>Projects are not delivered</li> <li>Loss of reputation</li> <li>Staff frustration as services are not improved</li> </ul>	Marianne Hesketh
45	Critical / Significant	Council services are disrupted following the UK withdrawal from the EU.	The UK is due to leave the EU on the 29/3/19. The impact of BREXIT on council funding, services and supplies is uncertain at this stage.	<ul style="list-style-type: none"> <li>Increased supplier / materials costs</li> <li>Loss of funding</li> <li>Withdrawal of council services</li> </ul>	CMT

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
				<ul style="list-style-type: none"> <li>• Council projects cannot be delivered</li> </ul>	
46	Critical / Significant	The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff.	The council are experiencing difficulty in attracting and retaining staff in key service areas owing to competing salaries at neighbouring authorities and the private sector.	<ul style="list-style-type: none"> <li>• Loss of knowledge / experienced staff</li> <li>• Unable to recruit qualified / skilled staff</li> <li>• Council projects are not delivered</li> <li>• Existing resources are stretched</li> </ul>	CMT

### Appendix C - Risks below the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
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"> <li>• Further costs will need to be incurred</li> <li>• Unwanted development will be hard to defend</li> <li>• Legislation / guidance may change requiring the exercise to be repeated at significant cost to the taxpayer</li> </ul>



## Appendix D - Risks removed from the register

Risk number	Reason for removing from register	Risk Description	Vulnerability	Consequence
44	Major work has been completed, including the compilation of information asset registers and privacy statements for each service area. Training for all staff has been undertaken and contract reviews are progressing. This risk will now be transferred to the operational risk registers to monitor further compliance with the completion of privacy impact assessments and reporting of any potential breaches.	The council fails to comply with the General Data Protection Regulations leading to investigation by the ICO and potential fines.	The new General Data Protection Regulations (GDPR) come into force in May 2018. However, there is a risk that the Council will not be able to make significant changes to processes and procedures controlling the use and retention of personal data prior to the 25 May deadline.	<ul style="list-style-type: none"> <li>• Potential investigation / fines by the ICO</li> <li>• Increased responsibility on staff to ensure systems comply</li> <li>• Reputational damage</li> </ul>



30 April 2019

Clare James  
Head of Finance  
Wyre Borough Council  
Civic Centre  
Breck Road  
Poulton-le-Fylde  
Lancashire  
FY6 7PU

Dear Clare

### **Fee for the audit of the accounts of Wyre Borough Council for the year ending 31 March 2020**

We are writing to set out our fee for the audit of the accounts of Wyre Borough Council for the year ending 31 March 2020.

### **Proposed fee for the audit**

The scale fee for the audit published by Public Sector Audit Appointments Limited (PSAA) in respect of the year ending 31 March 2020 is £37,470. This compares to the published fee scale for 2018/19 of £37,470.

We do not currently propose any variations to the scale fee.

### **Work programme**

Our audit work will be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The Code sets the overall scope of the audit, requiring the auditor to give an opinion on the financial statements of a principal body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money.

The audited body is responsible for putting in place appropriate arrangements to support the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code requires that the auditor's work should be risk-based and proportionate. We tailor our work to reflect local circumstances and their assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and evaluating the arrangements it has put in place to manage those risks.

Based on our preliminary procedures, we have not identified planned pieces of risk-based value for money work.

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Once we have completed our detailed planning and risk assessment procedures, we will present our audit plan to those charged with governance and provide an explanation for any variances to the published scale rate set out in this letter and following the approval process described below.

## **Assumptions on which the fee is based**

The 2019/20 scale fee and our proposed fee is based on the following assumptions:

- there are no significant changes (compared to that applying to 2018/19 and reflected in the published fee scale for that year) in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for our 2019/20 audit;
- the authority is able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes; and
- audit risk and complexity are similar to the level identified and reflected in the scale fee for 2018/19, including that: the authority maintains a strong control environment; and our detailed risk assessment work does not identify the need to undertake pieces of risk-based value for money work.

The proposed fee does not include fees for considering objections or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998. These will be charged as a variation to the scale fee using the procedure described below.

From 2018/19, certification work is no longer covered by PSAA's audit contract and is therefore not within the scope of this letter. Where such work is requested, a separate tripartite engagement between the relevant department, the audited body and a reporting accountant is needed.

The fees exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

## **Variations to the proposed fee**

Where it becomes clear that the amount of work required is significantly different to that which would be expected based on these assumptions (and reflected in the above fees), we will request a variation to the proposed fee.

We will first discuss the reasons for the additional fee with you and then submit a request to PSAA for a variation in the fee. PSAA has the power to determine the audit fee payable, which may vary from the prescribed scale fee, where it concludes that substantially more or less audit work was required than envisaged by the scale fee.

Yours sincerely



Deloitte LLP