

Report of:	Meeting	Date	Item no.
Corporate Director Resources (S151 Officer)	Audit Committee	15 June 2021	7

INTERNAL AUDIT ANNUAL REPORT 2020/21

1. Purpose of report

- 1.1 To consider the Internal Audit Annual Report for 2020/21 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 consider 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 (PSIAS) and to assist in meeting the Accounts and Audit Regulations 2015.
- 4.2 The PSIAS note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (HIA), in accordance with the PSIAS is to provide an opinion, based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes (i.e. the organisation's system of internal control). This is achieved through a risk based plan of work, agreed with management and approved by the Audit Committee, which when completed should assist the HIA to make an overall opinion and provide a reasonable level of assurance.
- 4.3 The updated CIPFA Statement on the role of the HIA in Local Government issued in April 2019 notes that the HIA in a local authority plays a critical role in delivering the authority's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control and championing best

practice in governance and commenting on responses to emerging risks and proposed developments.

- 4.4** The attached report provides details of audit coverage during 2020/21 enabling the HIA (Head of Governance) to make a balanced opinion in relation to internal control, risk management and governance processes across the organisation.

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
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

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

List of appendices

Appendix 1 – Internal Audit Annual Report 2020/21

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

Appendix 3 – Strategic Risk Review

INTERNAL AUDIT ANNUAL REPORT 2020/21

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

Members of the Audit Committee should note that copies of internal audit reports are published on the council’s intranet at the time of completion. Access to the supporting files are 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.

Following extensive operational assurance mapping work carried out in early 2020 it was felt that there was no requirement to utilise the best value partnership in place with Lancashire County Council during 2020/21. Therefore all the audit work has been completed by the in-house Senior Auditor. Internal audit work is benchmarked where possible, with other Local District Councils who participate in the Public Sector Internal Audit peer reviews to ensure that quality and standards are maintained. Standardised working papers and report templates, along with a robust review process prior to report publication, ensures continual conformance to the PSIAS, consistency and high standards of reporting are maintained.

Whilst electronic internal feedback review forms are currently not being utilised after each audit review owing to a change in software, feedback received during 2020/21 indicates that the work of internal audit continues to be highly regarded across the organisation. An electronic feedback system will be introduced during 2021.

Following the examination of assurance mapping statements and the council’s strategic and operational risk registers, 22 pieces of audit work were identified and listed in the 2020/21 audit plan that was approved by Audit Committee on the 2 March 2020. This report details the outcome of this work and also any other areas of work that have been completed to assist in making an overall audit opinion on the council’s internal control environment.

The impact of the Covid-19 pandemic on the work of internal audit during 2020/21 will be addressed in relation to each item in the summary table below as appropriate.

Audit Work Performed in 2020/21

Summarised below are the reviews that have been completed in 2020/21. Final reports are published in full on SharePoint.

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 <u>material effect</u> on the Council's finances or, a lack of or serious weakness in key control(s) which may impact on the Council's finances or operational performance.	Immediate Action Required
Level 2	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which have a <u>minor effect</u> on the Council's 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		
2019/20 Audit Plan work completed in 2020/21								
Grant Management	Fieldwork still in progress	N/A	N/A	N/A	N/A		Good	<p>This was originally added to the audit plan to look at the Better Care Fund and other grant funding received by the council. However, as a result of the on-going pandemic and the introduction of the Covid-19 business grants in April 2020 this piece of work has instead focused on the pre and post assurance work required by the Department for Business, Energy and Industrial Strategy (BEIS) in respect of these grants.</p> <p>A project plan and risk assessment were completed and sent to BEIS outlining the controls in place within the organisation to ensure all grants were distributed in accordance with the terms and conditions of the schemes.</p> <p>In addition to the sample of claims BEIS have sent to the Compliance Manager for checking, the Senior Auditor has also checked the insolvency register to ensure sole traders were still listed as 'solvent'.</p> <p>All councils were requested to upload three datasets from the first lockdown (small business, retail hospitality and leisure and discretionary grants) to the National Fraud Initiative to enable data matching within the authority and other organisations. The matches have now been received and these will be reviewed in the coming weeks and</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>will be reported alongside the National Fraud Initiative report that will be submitted to Audit Committee later in 2021.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of ‘good’ is appropriate given the strong controls that were implemented from the outset which have resulted in a low number of NFI matches.</p>
Civica Pay	Position Statement Issued January 2021	N/A	N/A	N/A	N/A	N/A	N/A	<p>The implementation of the Civica Pay system has been delayed owing to the pandemic and so no detailed audit or assurance work has been completed.</p> <p>In view of the above, a position statement was issued to the Audit Committee, Head of Contact Centre and Section 151 Officer in February 2021, detailing the progress of the project. As a result, the project team is meeting again and it is understood that the new ‘go live’ date is 29 June 2021.</p> <p>A piece of assurance work has been included in the 2021/22 Audit Priorities for Quarter 2 – 4.</p>
Citizens Access Portal	Position Statement Issued February 2021	N/A	N/A	N/A	N/A	N/A	N/A	<p>Owing to the continued delay of Civica Pay, the implementation of the Citizens Access Portal has also been delayed and therefore</p>

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		1	2	3	4	5		
								<p>no audit or assurance work has been completed.</p> <p>In view of the above, a position statement was issued to the Audit Committee, Section 151 Officer and the Head of Contact Centre in February 2021, detailing the progress of the project.</p> <p>A piece of assurance work has been included in the 2021/22 Audit Priorities for Quarter 2 – 4, following implementation of the Civica Pay system.</p>
2020/21 Audit Work								
Building Maintenance (follow-up)	Final Report Issued January 2021	2	7	0	0	0	Fair	<p>The original review of Building Maintenance was completed in November 2019 as part of the 2018/19 audit plan and given an overall opinion of 'fair'. A follow-up review of this area in December 2020 was completed and further examination of the controls in place to manage the Building Maintenance service continues to be 'fair'. This opinion is considered appropriate given that there are a number of recommendations (9 in total) that are still outstanding from the 2018/19 audit work, namely;</p> <ul style="list-style-type: none"> • Sample checks are required by the Head of Built Environment to verify continued compliance with documented procedures and processes;

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		1	2	3	4	5		
								<ul style="list-style-type: none"> • The condition surveys will continue to be completed by the in-house Building Surveyors as a suitable external surveyor could not be procured. Therefore, the operational risk ‘demand on the building maintenance team may cause some of the capital projects to be delayed’ is still current; • Completion of planned repairs and the condition surveys have been delayed owing to the Covid-19 pandemic; • The statutory maintenance schedule still requires fully updating to confirm completion of these inspections, followed by ongoing review; • Asbestos surveys remain outstanding for a number of buildings. However, the completion of these had commenced at the time of the review; • The 2019 legionella risk assessment process was delayed by Lancashire County Council but had commenced at the time of this review. Evidence of the in-house testing carried out by the Property Team and other sites is outstanding and is to be requested to confirm completion; • Contractual agreements are not currently held for all framework contractors. New contracts will be obtained following the re-tendering exercise in February 2021;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • Inspections are not routinely documented. Ongoing sample checks of the inspections completed by the Building Surveyors to monitor contractors they procure to undertake work are required by the Head of Built Environment to verify continued compliance; and • A review of the fixed electrical installation reports completed from 2015 to 2016 is required and repairs completed prior to requesting new inspections. <p>A further review will be carried out in Q1 of 2021/22 to review the progress in implementing the agreed action plan. In accordance with the Audit Charter, should the audit opinion remain unchanged after two 'follow-up' reviews, this will be referred to the Audit Committee who may wish to seek an explanation directly from the managers responsible for the delay or failure to implement recommendations.</p>
IR35 (follow-up)	Final Report Issued February 2021	0	5	0	0	0	Fair	The original review of IR35 was completed in October 2018 as part of the 2018/19 audit plan and given an overall opinion of 'fair'. A follow-up review of this area in February 2021 was completed and further examination of the controls in place to manage IR35 continue to be 'fair'. This opinion is considered appropriate given that there are 5

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>recommendations still outstanding from the 2018/19 audit work, namely;</p> <ul style="list-style-type: none"> • Ongoing monitoring of agency and consultancy expenditure and assessment of existing contracts is still required; • A central record of all completed HMRC assessments or notifications to suppliers of agency staff is still required; • Further IR35 training for all spending officers is required, together with regular reminders; • Owing to the absence of ongoing monitoring it cannot be confirmed if the employment status of temporary agency workers engaged to provide services to the council is routinely assessed in all instances; and • Owing to the absence of ongoing monitoring, it wasn't confirmed if the employment status of consultants engaged to provide services to the council is routinely assessed in all instances. <p>A further review will be carried out in Q1 of 2021/22 to review progress in implementing the agreed action plan. In accordance with the Audit Charter, should the audit opinion remain unchanged after two 'follow-up' reviews, this will be referred to the Audit</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								Committee who may wish to seek an explanation directly from the managers responsible for the delay or failure to implement recommendations.
Community Lottery (follow-up / post implementation)	Final Report Issued February 2021	0	2	3	0	0	Good	<p>It was agreed with the Section 151 Officer that this piece of work would be completed in two parts; pre and post implementation. The pre-implementation review was completed in December 2019 and an overall opinion of ‘good’ was given. An action plan highlighted 14 actions that required attention. A post implementation review has identified that of the 14 actions identified, 4 still require further action; namely</p> <ul style="list-style-type: none"> • Additional reporting to licence holders demonstrating compliance with licence conditions is suggested to ensure all licence conditions are met; • The registration and approval process for good causes wishing to participate in the lottery must be adequately segregated in all instances; • All data received from good causes must be transferred into secure folders and retained in accordance with retention periods; and • The Community Engagement Information Asset register requires updating to include details of the data held for the community lottery.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								The implementation of these recommendations will be monitored as part of the follow up work to be completed in Q2 - 4 of the 2021/22 audit plan.
Beach Management Scheme	On-going	N/A	N/A	N/A	N/A	N/A	Good	<p>The Senior Auditor continues to attend the monthly beach management project board meetings to provide advice and support in respect of internal control, risk management and overall governance arrangements. At present, project work is focusing on pre-construction works and work for the compound based at Jubilee Gardens. Preliminary work on the scheme will start (Phase 1) in September 2020 completing in July 2022. Phase 2 of the scheme will then commence for a further 3 years.</p> <p>Whilst an overall report has not been published at this time, for the purpose of this Annual Audit Report, an overall opinion of 'good' is appropriate given that the Senior Auditor is comfortable that a comprehensive risk register is place and a detailed project plan documents each stage and the target dates. The overall governance of the project is managed by an effective Board which meets on a monthly basis.</p> <p>This scheme will be continually monitored by the Senior Auditor until the end of the project and has been included in the 2021/22 Audit Plan.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Performance Management	Final Report Issued January 2021	0	2	1	0	1	Good	<p>The overall opinion of the auditor is that the controls in place to manage performance management are ‘good’. This means that 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. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • A documented project plan or project brief is not in place for all projects included in the Corporate Business Plan; • The processes for the calculation of each performance measure are not documented in all instances; • At the time of reporting the overall responsibility for the Project Management / Performance management role has yet to be finalised; and • No performance information was produced for quarter 4 of 2019/20 owing to the Covid-19 pandemic.
Waste Management contract (review of payment process)	Final report	0	0	0	0	0	Excellent	The overall opinion of the auditor is that the controls in place to manage the payment process for the waste management contract

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		1	2	3	4	5		
	issued May 2021							are 'excellent'. This means that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council 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.
VAT	Position Statement Issued May 2021	N/A	N/A	N/A	N/A	N/A	Good	<p>The last audit review of VAT was undertaken by Lancashire County Council in 2017/18. Full assurance was given and no recommendations were made.</p> <p>In view of this, the re-prioritisation of the remaining audit work for 2020/21 and the limited availability of the auditee, a decision was made not to complete any detailed testing in this area. However, a position statement was compiled to quickly capture any system or procedural changes that may introduce extra risk. Observations were as follows;</p> <ul style="list-style-type: none"> Two compliance checks usually completed by the Finance Team to ensure VAT is accurately recorded have not been completed during 2020 owing to the ongoing pandemic and reduced resources within the team. These checks are to be reinstated;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> The partial exemption calculation undertaken half yearly and at the end of the financial year has not yet been calculated for 2020/21. This will be finalised after the accounts are closed in July. <p>A follow-up review will be completed in three months to ensure these observations have been actioned.</p>
Expenses	Position Statement Issued May 2021	N/A	N/A	N/A	N/A	N/A	Good	<p>The last audit review of expenses was undertaken by Mazars in 2017/18. An adequate assurance opinion was given and only two recommendations were made.</p> <p>In view of this, the re-prioritisation of the remaining audit work for 2020/21 and the limited availability of the auditee, a decision was made not to complete any detailed testing in this area. However, a position statement was compiled to quickly capture any system or procedural changes that may introduce extra risk. Observations were as follows;</p> <ul style="list-style-type: none"> Two procedure documents compiled in 2002/03 require review to ensure these reflect current practice and the subsistence allowances quoted are correct; As identified in the previous audit review, evidence obtained in respect

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		1	2	3	4	5		
								<p>of a sample of 2020/21 claims identified that mileage and expenses claims are not accurately recorded in the officers' log books in all instances, supporting receipts are not retained for all expenses claims and log books are not always signed by the line manager to authorise the claim;</p> <ul style="list-style-type: none"> 8 of the 31 petty cash claims processed in 2020/21 exceeded the £50 limit. Where possible these should have been claimed through the HR21 system or purchased through the purchasing system. <p>A follow-up review will be completed in three months to ensure these observations have been actioned.</p>
Debtors, Creditors and Budgetary Control	Position Statement Issued May 2021	N/A	N/A	N/A	N/A	N/A	Good	<p>The last audit review of Debtors, Creditors and Budgetary Control was undertaken by Lancashire county council in 2017/18. A full or substantial assurance opinion was given and five recommendations were made overall.</p> <p>In view of this, the re-prioritisation of the remaining audit work for 2020/21 and the limited availability of the auditee, a decision was made not to complete any detailed testing in this area. However, a position statement was compiled to quickly</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>capture any system or procedural changes that may introduce extra risk. Observations were as follows;</p> <p>Debtors:</p> <ul style="list-style-type: none"> • Access permissions to the Debtors system have been allocated to the Recovery Team. It is recommended that these are reviewed to ensure an adequate segregation of duties exists; • Monthly reviews of Civica access permissions should be undertaken by the System Administrator going forward to ensure these remain up to date; • The introduction of a monthly or quarterly report detailing all the cancellations processed by the Recovery Team is suggested as an additional check to be completed by a Senior Manager; • An independent reconciliation of the debts written off on the debtors system to the amounts approved for write-off at the end of the year is not currently completed by the Financial Services Team. This will now be re-introduced; • The aged debt report continues to be issued to Senior Managers on request only and not on a quarterly basis as recommended in the previous audit review.

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		1	2	3	4	5		
								<p>Creditors:</p> <ul style="list-style-type: none"> The last audit review suggested the introduction of two additional controls when changing suppliers bank account details – a monthly sample check of bank account changes processed to ensure the correct process has been followed and a check on the Companies House website to enquire if the company is in liquidation prior to changing bank account details. The officer’s allocated responsibility for the completion of these checks have now left the council and these checks are not completed. The issue of a monthly report used to monitor instances where purchase orders are not raised prior to the receipt of an invoice is not currently completed due to a potential reporting error. This is to be investigated and the report re-introduced in due course. <p>Budgetary control</p> <ul style="list-style-type: none"> No observations to report

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		1	2	3	4	5		
								A follow-up review will be completed in three months to ensure these observations have been actioned.
Cash Receipting (front desk procedures and Fleetwood Market)	Position Statement Issued May 2021	N/A	N/A	N/A	N/A	N/A	Good	<p>The last audit review of cash receipting was undertaken by Lancashire County Council in 2017/18. Full assurance was given and no recommendations were made.</p> <p>In view of this, the re-prioritisation of the remaining audit work for 2020/21 and the limited availability of the auditee, a decision was made not to complete any detailed testing in this area. However, a position statement was compiled to quickly capture any system or procedural changes that may introduce extra risk. Observations were as follows;</p> <p>Civic Centre Reception</p> <ul style="list-style-type: none"> The panic alarms in the civic centre reception area are not working and arrangements to repair these should be completed prior to the re-opening of the main reception desk. <p>Fleetwood Market</p> <ul style="list-style-type: none"> As identified in previous audit reviews 9 of the 25 traders occupying stalls on a casual basis were in arrears.

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								<p>Arrangements to collect this income should be completed.</p> <p>A follow-up review will be completed in three months to ensure these observations have been actioned.</p>

2020/21 Audit work not completed

As reported to Audit Committee on the 26 November 2020, owing to the on-going pandemic and the redeployment of both the Head of Governance and the Senior Auditor, no audit work was completed during the period 1 April to 31 August 2020. In addition, the Head of Governance was also away from the office for six weeks in September and October completing a piece of work for Lancaster City Council.

Given the limited resources in the team and the time left in the audit year to complete the original audit plan (7 months) the Head of Governance and the Senior Auditor carried out a risk assessment to ensure that the resources available were appropriately deployed to the 'high priority / key risk areas of the council'. It was agreed that where an audit was not to be rolled forward, a more detailed risk assurance mapping exercise would be carried out to obtain the necessary assurances in these areas.

The table above details the work that was completed during 2020/21 and the table below documents the work that was not completed and where assurance mapping has been completed if not rolled to 2021/22.

Original 2020/21 Audit Plan work approved by Audit Committee		
	Rolled to 2021/22	Assurance mapping completed
Accuracy of Information Risk Registers	✓	
Climate Change Emergency		✓
Disaster Recovery (council resilience)	✓	
Election Accounts	✓	
New Website		✓
Land Charges		✓
Pest Control		✓
Safeguarding		✓
Marine Hall	✓	

Other audit work undertaken during 2020/21

National Fraud Initiative – Cabinet Office data matching exercise

The Compliance Team have now completed the 2018/19 NFI exercise and are now in the process of investigating the matches from the 2019/20 data matching exercise. Progress was stalled during 2020 owing to the Compliance Team being

heavily involved in the processing of the Covid-19 business grant payments. However, the results of both exercises will be reported to the Audit Committee later in 2021.

In addition to the annual mandatory exercise, the council were also required to upload data to the NFI site in January 2021 in relation to the three-Covid-19 business grants initiated in the first lockdown (retail, hospitality and leisure, small business and discretionary). The matches have been received and will be investigated imminently and reported alongside the results of the 2018/19 and 2019/20 NFI exercises.

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

The security and the use of the council’s business data continues to be a high priority of the organisation. The DPO reports quarterly to the Corporate Management Team, with the last update on the 26 May 2021 reporting the following;

- It was hoped that several pieces of work would be completed in 2021 to assist in obtaining assurances that adequate and effective controls were in place to manage the council’s business assets (data). However, owing to the on-going pandemic, the long-term absence of the Deputy DPO and the redeployment of the Head of Governance and the Senior Auditor to assist the community hubs from April to August 2020, the GDPR compliance work and the review of the council’s information asset registers have not been completed. This work has been re-scheduled and it is hoped that the new Audit, Risk and Performance Lead Officer will complete this work in July 2021 as part of the 2021/22 audit plan.
- Whilst ‘planned’ work has been delayed, it is important to note that the Audit and Risk Management Team were able to respond to the risks that emerged during the pandemic, in particular assisting the community hubs with the processing of vast amounts of personal/sensitive data. Given their expertise and GDPR training, the Head of Governance and Senior Auditor were asked to lead on the management of data going to and from the community hubs on a daily basis and to develop policies and procedures to assist the community hubs to ensure the data was processed in accordance with GDPR and the mandatory guidance from the NHS.
- Following the suspension of the Information Governance Group during the pandemic, the group met for the first time since January 2020 on the 1 March 2021. The first meeting was primarily to review the past 12 months, in particular, the ICT and data breach incident registers to ascertain any problem areas or identification of weakness of controls following the new working arrangements owing to the pandemic. The minutes and action plan

following this meeting were presented to CMT as part of the DPO's quarterly update on the 26 May 2021. Further meetings have been scheduled for June, September and December 2021. An agenda is formulated prior to each meeting with a number of standing items (SAR/FOI/EIR requests, ICT/data breaches, cyber security, corporate training and policy updates) making up a large proportion of the meeting.

- The council has continued to receive a steady flow of Subject Access, Freedom of Information and Environment Information requests during 2020/21 with the majority of the responses being issued within the statutory deadlines, despite a number of services being impacted by the on-going pandemic. Examination of the requests received over the last 12 months has again identified that the council would benefit from the production and publication of frequently requested datasets. This needs to be explored as soon as possible.
- Following a piece of work in November 2021 to test the council's compliance to the Transparency Code (The Code), the Elections and Information Governance Manager has recently completed a follow-up review to identify if the issues raised have been rectified. Whilst some progress has been made, there are still a number of service areas that need to upload specific documents to the council's website to ensure compliance to The Code. A further review will be completed in three months' time, following which any further non-compliance will be reported to the relevant Director.
- As reported in the November progress report to Audit Committee, the Data Protection Policy was temporarily updated to reflect the absence of a corporate training package and the arrangements to train new starters in relation to data security/GDPR. New starters continue to be issued with the Data Protection Policy (last updated November 2020) and are also asked to sign a 'declaration of understanding'. Since this update, the council has now procured a corporate training package called 'Learning Pool' which will initially mainly be used to induct new starters. Once developed it will also be used to refresh existing staff knowledge and understanding of relevant policies and procedures. It is understood that the software has a number of 'standard modules' that can be used or adapted to assist with the training/refresh of GDPR and Information Security procedures. In addition, following the cancellation of the external FOI/EIR training in May 2020 and several failed attempts to procure another provider, it is hoped that a module on this area can also be developed.
- For safety reasons, the security sweeps that were scheduled to take place in December 2020 were postponed. It is hoped that some form of building inspection will be completed in the next few months once the Covid-19 restrictions have been lifted completely and staff being to return to the office.

- There are no information governance risks identified on the strategic risk register. However ICT/cyber risks continue to be monitored separately on a regular basis by the Senior Auditor, Director and Head of ICT. Further details of this monitoring can be found at Appendix 2 of this report.

Overall, there are no significant concerns in relation to the security and use of the council's business assets (data) but it is important that assurances are sought going forward and that delayed work is completed during 2021.

Anti-Fraud and Corruption

The council has a number of counter fraud policies, which are designed to prevent and detect fraud across the council. The main four policies are; Whistleblowing, Anti-Money Laundering, Gifts, Hospitality and Registering Interests and Anti-Fraud, Corruption and Bribery. All policies are reviewed and approved annually by the Audit Committee and can be found on SharePoint for easy access. All new starters and Elected Members are also presented with these policies at their induction session. Ethical Governance Surveys are completed every three years to test user's knowledge and understanding, with the last staff exercise being completed in 2019. Owing to the on-going pandemic, Elected Members have yet to complete this survey; however, they are expected to complete the exercise in autumn 2021.

There have been no whistleblowing calls during 2020/21 that have required internal audit investigation and no reports of suspected money laundering.

The Audit and Risk Management Team continue to 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 2020 there have only been two declarations made, compared to the 19 items declared in 2019/20. This significant drop in numbers is considered appropriate given the current working arrangements of the staff at the Civic Centre owing to the on-going pandemic. Given the low number of entries, the Monitoring Officer has not yet examined the register. A reminder will be issued to staff on the Hub.

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 business Support and ratified by the Corporate Director

Resources (Section 151 Officer) in June 2021 identified no issues that required following-up or reporting in the 2020/21 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 2018. Only three minor issues were identified, all of which have been considered and implemented where appropriate. The next peer review is scheduled for February 2023.

Quality Assurance Improvement Programme

In accordance with the PSIAS, the Head of Internal Audit 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 and the Local Government Application Guidance Note. From this assessment an action plan highlighting areas for improvement will be developed. The results of this exercise are reported to the Audit Committee 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 and the Local Government Application Guidance Note;
- 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. Following the external validation in April 2018 and the annual self-assessment completed in June 2021 there are no deviations to report in the 2020/21 Annual Governance Statement.

Compliance Team

Since April 2020, the Compliance team have been heavily involved with the processing and payment of Covid-19 business grants totalling in excess of £50m. Whilst the team have continued to carry out their statutory responsibilities during the pandemic, other work such as debt recovery has been significantly reduced to allow the team to pick up this additional workload.

The team have been responsible for designing the application processes and processing of a number of business grant schemes, namely the Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, Local Authority Discretionary Grant Fund, Local Restrictions Support Grant (Open), Local Restrictions Support Grant (Closed), Local Restrictions Support Grant (Sector), Local Restrictions Support Grant (Closed) addendum, Additional Restrictions Grant, Christmas Support Payment for wet-led pubs, Restart Grants and the Closed Business Lockdown Payment.

Looking forward to 2021/22, the Compliance Team will continue to be responsible for ensuring any future schemes are administered in accordance with their terms and conditions, with Internal Audit being utilised to verify that the necessary pre

and post assurance checks have been completed, similar to those carried out by the recent National Fraud Initiative exercise.

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;
- The risk management arrangements and the framework of assurance; and
- The operation and design of the governance arrangements.

The table below shows the total number of completed pieces of work by Wyre Council during 2020/21 and the overall audit opinion that was given.

Wyre Council Audit work completed / reports issued

Audit Opinion	Excellent	Good	Fair	Weak	Poor	No Opinion Issued	Total
Number of Audits	1	8	2	0	0	2	13

Of the 22 pieces of audit assurance work originally agreed in the 2021 audit plan, work has been carried out in 13 of these areas. As reported earlier in this report, owing to the on-going pandemic and the limited resources within the Audit Team during April to August 2020, a risk assessment was completed to ensure resources were deployed to the right areas. Following the exercise, it was decided that work was still required in 4 of the original audit areas identified (and therefore rolled to the 2021/22 audit plan), and that in the remaining areas, more detailed assurance

mapping needed be carried out to ascertain other assurance streams that could be relied upon when forming an overall opinion.

Head of Internal Auditor's opinion on the council's internal control environment

Following the work carried out during 2020/21, adequate assurance can be given on the overall adequacy and effectiveness of the council's governance, risk management, and control processes (i.e. the system of internal control). There is a sound system of internal control designed to achieve the council's objectives and controls are generally being applied consistently. This opinion does not imply that internal audit have reviewed all risks and assurances relating to the council. The purpose of my opinion is to contribute to the assurances already available to the council. Despite the pandemic, the council's risk management and assurance framework and overall governance processes continue to be well supported and operate effectively across the organisation with key officers participating in risk workshops and in the formulation of the Annual Governance Statement.

For the second year running, it is pleasing to see that no areas reviewed have been given either a 'weak' or poor' audit opinion. In addition, individual reports confirm that no areas of concern were required to be brought to the attention of the Section 151 Officer or required reporting in the Annual Governance Statement as a 'significant' area of concern.

Whilst the on-going pandemic did affect the delivery of the audit plan and the audit team may not have provided assurance in all previously agreed areas, owing to the 'pause' in service from April to August, it should be noted that the audit function did respond positively in addressing the council's key risks during the pandemic. The pandemic also impacted the availability of auditees, so alternatives to intensive testing have been used, such as producing position statements to quickly capture any system or procedural changes that may introduce extra risk. In addition, assurance mapping statements continue to be used to gather intelligence about other sources of assurance, other than those obtained from internal audit that can be relied upon when forming my overall opinion.

Finally, in an unprecedented year, where the council has faced significant pressure in a number of areas, further assurances can be sought from my extensive experience and knowledge of the council's systems and processes and the previous years' audit opinions, which have consistently reported a stable position.

RISK MANAGEMENT PROGRESS REPORT

RISK MANAGEMENT PROGRESS REPORT

Strategic Risks

The Corporate Management Team (CMT) met on the 25 February 2021 to carry out the annual strategic workshop. The results of this workshop can be found at Appendix 3 to this report. A quarterly updated was completed on the 14 April with further reviews being scheduled for the 21 July and 13 October 2021.

Operational Risks

Progress on the embedding of risk management is reported to the Audit Committee via six monthly reports by the Head of Governance and Business Support. 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 February / March each year following the strategic risk workshop, 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. Owing to the on-going epidemic, risk workshops were completed virtually through TEAMS. 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.

<https://wyregovuk.sharepoint.com/sites/Governance/SitePages/Risk-management.aspx>

Brexit Risks

Following the UK leaving the European Union in January 2020, any remaining BREXIT risks have been amalgamated within individual service risk registers.

ICT Risks

The council's ICT risk register is reviewed quarterly by the Corporate Director Communities, Head of ICT and the Senior Auditor. The last review was completed on the 16 April 2021 and the result of this review can be found by following the link below. The next review is scheduled for the 13 July 2021.

<https://wyregovuk.sharepoint.com/sites/Governance/SitePages/Risk-management.aspx>



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Wyre Council - Audit and Risk Management

STRATEGIC RISK REVIEW

25 February 2021

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Appendix C - Risks below the appetite

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 – Corporate Director Communities
- Mark Billington – Corporate Director Environment
- Clare James – Corporate Director Resources
- Joanne Billington – Head of Governance
- Cllr L McKay – Audit Committee Chairman

1. Introduction

- 1.1 On the 25 February 2021 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 (excluding the Chief Executive), Head of Governance and Chair 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 2021/22.

2. Executive Summary

- 2.1 The last half yearly review of the strategic risk register was completed in October 2020 by the Corporate Director of Resources and the Corporate Director of Communities. 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. The 8 risks remaining from the original register were reviewed in terms of likelihood and impact resulting in 7 retaining the same rating and 1 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 9 risks above the risk appetite. The completed matrix is shown in Appendix A.
- 2.4 Following the assessment the 9 risks above the risk appetite are as follows:

Risk Number	Description
18	Central government funding is insufficient to maintain 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	Insufficient capital receipts are received from the sale of council assets or revenue underspends resulting in a failure to deliver council projects.
42	Business Rates Retention Reforms result in insufficient or unpredictable ongoing revenue to fund statutory services.
43	The Digital Wyre Strategy is not delivered due to a lack of staff capacity and broader issues with software providers.
46	The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff.
47	The return from council assets is not maximised resulting in a failure to reduce council subsidy.
49	Project Neptune does not proceed damaging the council's reputation and leading to abortive costs.
50	The administration and management of the May 2021 elections may be severely affected by the absence of key election staff and the lack of polling and counting staff due to the Covid-19 pandemic.

- 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.

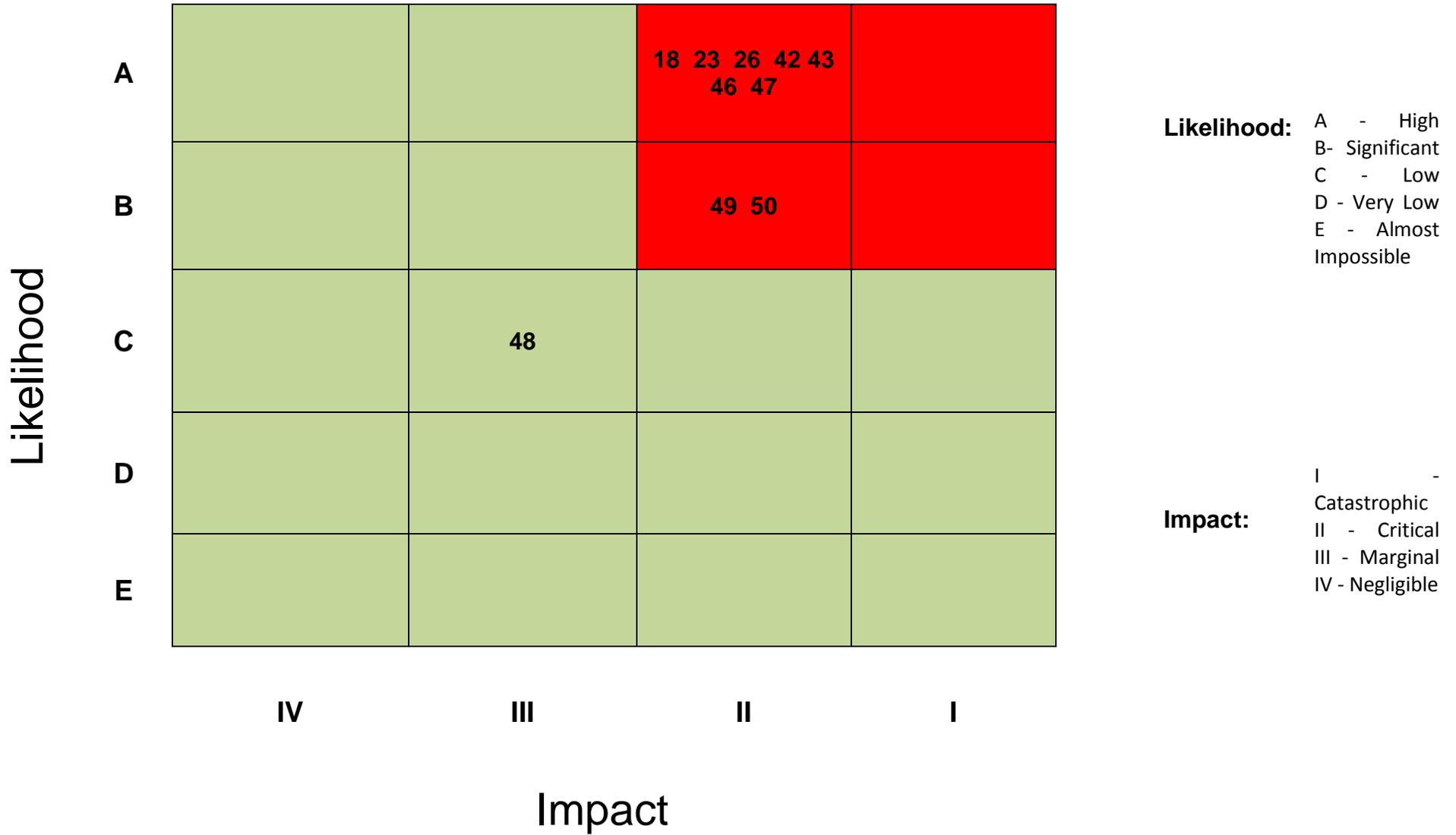
4.0. Monitoring

- 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 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 2021.

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 March 2021 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 2021/22.

Appendix A - Risk Profile



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 maintain the current level of service.	Central government funding provided to each authority has only been announced for one year (2021/22). As such uncertainty regarding future funding levels remains owing to the Fair Funding Review and other funding reforms. Based on current spending the funding gap in 2025/26 is £2.9m.	<ul style="list-style-type: none"> • Further savings will need to be identified • The 4 year business plan may need to be reviewed in accordance with resources available • Negative impact on staff resulting from uncertainty about the future 	Clare James
23	Critical / High	The efficiency programme is insufficient to meet the funding gap identified in the latest financial projection.	The council has identified a number of projects that will help to reduce the gap between expenditure and income reflected in the latest MTFP. However, further projects will be required to achieve the level of savings required.	<ul style="list-style-type: none"> • Additional savings / cuts in services may be required • Members' trust in the Corporate Management Team and the SLT to deliver future savings will be affected • The impact of further reductions in government grants will be exacerbated 	CMT

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
26	Critical / High	Insufficient capital receipts are received from the sale of council assets or revenue underspends resulting in a failure to deliver council projects.	Future capital investment is dependent on capital receipts from the sale of council assets and the achievement of revenue underspends at outturn.	<ul style="list-style-type: none"> • Additional savings / cuts in services will be required • Additional borrowing costs will exacerbate the funding gap • Assets will deteriorate and maintenance costs will increase • Resident satisfaction levels will reduce 	CMT
42	Critical / High	Business Rates Retention Reforms result in insufficient or unpredictable ongoing revenue to fund statutory services.	Business Rates Reform leads to volatile funding (impact of radical changes planned with regular baseline resets, economic recession and large appeals).	<ul style="list-style-type: none"> • Pooling arrangements for 2021/22 have been agreed at 50%. An additional reserve may be required to mitigate the impact of any future reductions in funding redistributed by central government and to smooth the impact over a transitional period. • Further consequences linked to those risks 18 and 23. 	Clare James

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
43	Critical / High	The Digital Wyre Strategy is not delivered owing to a lack of staff capacity and issues with software providers.	The Digital Wyre Strategy is a key project within the 2021/22 business plan and there is concern that there is a lack of staff capacity to deliver the projects within this and broader issues with software providers.	<ul style="list-style-type: none"> • Projects are not delivered • Loss of reputation • Staff frustration as services are not improved 	Marianne Hesketh
46	Critical / High	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"> • Loss of knowledge / experienced staff • Unable to recruit qualified / skilled staff • Council projects are not delivered • Existing resources are stretched 	CMT
47	Critical / High	The financial return from council assets is not maximised resulting in a failure to reduce council subsidy.	A number of council assets and the services operated from these buildings i.e. YMCA / Marine Hall are subsidised by the council. However, due to the Covid-19 pandemic the projected reductions in the current subsidy will not be achieved leading to increases in council expenditure.	<ul style="list-style-type: none"> • Expected returns from council investment are not achieved • Significant increases in council expenditure • Reduced income • Reduced leisure provision for local residents 	CMT

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
49	Critical / significant	Project Neptune does not proceed damaging the council's reputation and leading to abortive costs	Project Neptune is a development of commercial units as part of a wider regeneration project at Fleetwood Docks in conjunction with ABP the landowners. Terms and conditions for the grant funding of £4m have been agreed with the LEP and tenders will be carried for the works to be completed. However there is a risk that ABP will not agree to the funding T&Cs and the tenders they issue will come in over budget preventing the project from proceeding.	<ul style="list-style-type: none"> • Loss of initial project expenditure • Council reputation is damaged • Regeneration of the area is not completed • Grant funding is not received 	Marianne Hesketh
50	Critical / Significant	The administration and management of the May 2021 elections may be severely affected by the absence of key election staff and the lack of polling and counting staff	The Elections Manager is currently on LTS and the management of the May 2021 elections is being undertaken by the Electoral and Civic Services Officer. However, if the ECSO is absent, there is a lack of experienced staff within the council or externally from other councils to undertake this role. In addition the pandemic has affected the availability and recruitment of polling and counting staff. Therefore, there is a risk that the	<ul style="list-style-type: none"> • Council reputation is damaged • Loss of knowledge / experienced election staff • Polling / counting staff shortages due to shielding or Covid-19 infection • The election is not successfully delivered 	Garry Payne

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		due to the Covid-19 pandemic.	election will not be successfully delivered damaging the council's reputation.		

Appendix C – Strategic risks below the risk appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
48	Marginal / Low	Due to the impact of the Covid 19 pandemic, the council's ability to provide services and maintain a balanced budget is severely affected resulting in a s114 notice being issued and services cut.	There is a global pandemic and England is currently in the transition to recovery phase with some lockdown measures still in place. The central government funding provided to each authority during the pandemic and the income compensation scheme being developed is not sufficient to cover the full impact of the pandemic and the ongoing impact is such that a s.114 notice is triggered. Staff and/or contractor shortages limit the services that can be safely and professionally delivered and some may have to be suspended or cut as a result of the overall position (including financial).	<ul style="list-style-type: none"> • Staff shortages due to shielding or covid 19 infection • Services cannot be delivered or are suspended • Reduced income levels 	CMT