

Report of:	Meeting	Date	Item no.
Corporate Director Resources (S.151 Officer)	Audit Committee	14 June 2022	

INTERNAL AUDIT ANNUAL REPORT 2021/22

1. Purpose of report

- 1.1 To consider the Internal Audit Annual Report for 2021/22 (1 April 2021 – 31 March 2022) 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, the strategic risk register at Appendix 3 and ICT risk register at Appendix 4.

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 (Audit and Risk Manager) 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 2021/22 enabling the Audit and Risk Manager 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 and ICT risk registers are attached at Appendices 1, 2, 3 and 4.

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 2021/22

Appendix 2 – Risk management progress report; strategic, operational and ICT risks

Appendix 3 – Strategic risk register

Appendix 4 – ICT risk register

Appendix 5 – Quality Assurance Improvement Plan (QAIP)

INTERNAL AUDIT ANNUAL REPORT 2021/22

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 circulated to the Committee on completion and an adobe version is added to SharePoint. 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 our insurer, Zurich Municipal. The newly appointed Insurance and Business Continuity Officer has recently been invited to participate in the North West Insurance Officer Group with other Local Authorities in Lancashire.

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 which is reviewed and approved by the Audit Committee annually.

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, verbal feedback received during 2021/22 indicates that the work of internal audit continues to be highly regarded across the organisation. An electronic feedback system will be introduced during 2022/23.

Given the pandemic and the need for Internal Audit to be flexible and responsive to emerging risks across the organisation, a decision was taken to move to quarterly audit planning instead of the production of an annual plan. A plan containing audit priorities was populated to ensure key risks identified during strategic and operational risk workshops and the assurance mapping exercise were addressed. The plan was separated into two main sections, the first section detailed audit work needed to take priority in quarter one (April - June 2021). The second section documented potential forthcoming priorities for quarter's two to four. The plan is reviewed on a quarterly basis following examination of risk registers and any new audits added according to risk.

Following the appointment of a full time Auditor in June 2021 and the extensive external assurance mapping work carried out, it was felt that there was no requirement to utilise the best value partnership in place with Lancashire County Council during 2021/22. Therefore all the audit work that forms the annual opinion has been completed by the

in-house team. 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.

Audit Work Performed in 2021/22

Mid-way through 2021/22 a decision was taken to change the previously used audit opinions to be in line with other Local Authorities. Therefore some of the audit opinions (follow-up work from 2021/22) in the table below reflect the previous definitions. The priority rankings for audit actions have been left the same. Summarised below are the reviews that have taken place during 2021/22.

AUDIT OPINION DEFINITIONS (April – November 2021)

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.

AUDIT OPINION DEFINITIONS (November 2021- March 2022)

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Minimal / No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
2020/21 Audit Work								
Building Maintenance (2nd follow-up)	Final Report Issued January 2022	N/A	N/A	N/A	N/A	N/A	Good	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 was completed in February 2021 and of the 16 findings originally reported, 9 of these required further attention, therefore the overall opinion remained at 'fair'. As a result, a further follow-up was completed as part of the 2021/22 audit plan. Of the 9 outstanding findings, there were still 3 that required further attention, therefore the opinion remained as 'fair'. A second follow-up was completed in January 2022 and of the 3 recommendations outstanding work had progressed in relation to asbestos, however further work was still required in relation to legionella and the statutory maintenance schedule. The overall opinion was changed to 'good' therefore, no further follow-ups have been scheduled. However the new risk management system (GRACE) will monitor the implementation of the remaining outstanding actions.
Inspection Regime – Site Inspections (follow-up)	Final Report Issued November 2021	0	7	0	0	0	Fair	The original review of Site Inspections was completed in October 2020 as part of the 2019/20 audit plan and given an overall opinion of 'fair'. A follow-up was completed as part of the 2021/22 audit plan and of the 7 findings originally reported, these all still remained outstanding; namely;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • A documented inspection policy / procedure or staff guidance manual has not been compiled for by all departments; • Formal training on the completion of inspections has not been given to all inspection staff; • Inspections are not carried out in accordance with the agreed frequency in all instances; • The recording of the actions taken to repair any defects identified is not completed and retained by all departments; • Accurate inspection records of the areas inspected and the defects identified are not completed in all instances; • Formal retention periods for completed inspection records have not been agreed for all departments; and • Monitoring of inspection processes and feedback to staff is not routinely undertaken. <p>Owing to the number of outstanding recommendations, the overall opinion remained as 'fair'. The second follow-up has been delayed due to the appointment of the new Head of Service. It is hoped this will be scheduled for September 2022.</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
IR35 (2 nd follow-up)	Final Report Issued November 2021	0	3	0	0	0	Good	<p>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 further follow-up was completed in February 2021 and of the 8 findings originally reported, 5 of these still required further attention. The overall opinion remained as ‘fair’. As a result of this, a second follow up was completed as part of the 2021/22 audit plan. This identified that of the 5 outstanding findings, 3 still required further attention to fully implement these. In view of this and the taking onto account the priority ratings, the overall opinion was increased to ‘good’. The recommendations still outstanding;</p> <ul style="list-style-type: none"> • The implementation of the quarterly monitoring process to evaluate continued compliance with IR35 has been delayed owing to staffing vacancies and other key work pressures within the finance team. This task has now been allocated to the HR team. The first review of agency and consultancy expenditure will look at the period April to June 2021. The information obtained from these checks will inform the next quarter’s reviews and when complete only new arrangements will be investigated going forward.

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		1	2	3	4	5		
								<ul style="list-style-type: none"> The HMRC employment assessments attached to a new creditor reference form will continue to be retained by the Finance team and attached to the creditor profile. Any additional evidence obtained by the HR team when carrying out the monitoring process, will be retained by them in a central file. Evidence of the assessment of employment status for consultants or individuals engaged to provide services to the council through an agency will be requested by the HR team during the monitoring process and retained by them. <p>No further follow-ups have been scheduled, however the new risk management system (GRACE) will monitor the implementation of the remaining outstanding actions.</p>
Beach Management Scheme	On-going	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	The Audit and Risk Manager still continues to attend the monthly beach management board meetings to provide advice and support in respect of internal control, risk management and governance procedures. Whilst a report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable assurance' has been given in relation to this project to date. Substantial assurance has not been given, due to

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		1	2	3	4	5		
								<p>delays in the production of licences issued by the Marine Management Organisation (MMO) which are required before work can commence by Wyre's contractors. The scheme is expected to complete in July 2027 (at which time the funding should have been utilised) and there are concerns that these delays will impact the completion date and therefore the project's objectives will not be met.</p> <p>The beach management scheme remains on the audit plan priorities for 2022/23.</p>
Project Neptune	On-going	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>The Audit, Risk and Performance Lead continues to regularly attend the monthly Project Neptune project meetings to provide advice and support in respect of internal control, risk management and governance procedures. Whilst a report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable assurance' has been given in relation to this project. Whilst there are a number of operational issues outstanding these have been documented in the risk register and a number of options are available if such risks materialise.</p> <p>Project Neptune remains on the audit plan priorities for 2022/23.</p>

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NFI Covid-19 grants Post assurance testing	On-going	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>Following the introduction of the Covid-19 business grants in April 2020, pre and post assurance work required by the Department for Business, Energy and Industrial Strategy (BEIS) has been completed and evidence submitted.</p> <p>All councils were requested to upload three datasets from the Small Business, Retail Hospitality and Leisure and Local Discretionary Grants from the first lockdown to the National Fraud Initiative to enable data matching within the authority and other organisations. The matches have now been received, reviewed and the results of these matches have been reported in the National Fraud Initiative report that is included later in the agenda.</p> <p>Whilst an overall report has not been produced for this post assurance work, for the purpose of the overall opinion for 2021/22 ‘reasonable assurance’ has been given owing to strong controls which were implemented from the outset which resulted in a low number of NFI matches in these areas.</p>
Matrix Agency Staff contract	Final Report Issued November 2021	0	0	5	0	0	Limited Assurance	The overall opinion of the auditor is that the controls in place to manage the Matrix agency staff contract are ‘limited’. This means that significant gaps, weaknesses or areas of non-compliance were identified. Improvement is required to the

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		1	2	3	4	5		
								<p>system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • A valid contract for the current service is not in place and expired in 2018; • It cannot be confirmed if the current contract is fit for purpose of provides value for money; • Awareness of the Matrix contract is poor which has resulted in low usage; • HR are not always consulted when procuring agency staff outside of the Matrix contract; and • No active monitoring is carried out in relation to the compliance of terms and conditions / performance of the contract <p>A follow-up review is currently in the process of being completed.</p>
Council Resilience	Final Report Issued March 2022	0	1	4	3	0	Reasonable Assurance	The overall opinion of the auditor is that the controls in place to manage Council Resilience are 'reasonable'. This means that there is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified

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		1	2	3	4	5		
								<p>which may put at risk the achievement of objectives in the area audited. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • A number of generic and specific emergency plans were found to be in need of review; • Whilst there had been a recent 'live test' this was not documented and there is no programme of testing in place; • At the time of review, the recent Covid pandemic debrief was still outstanding; • A number of key officers have still to attend the Emergency Planning College for the required training; • The Business Continuity Policy and Strategy has not been reviewed since 2017; • A number of specific service business continuity plans had not been updated since 2017; • The council has not finalised its ICT disaster or Cyber Security recovery plan and procedures; and • Hard copies of the most recently updated emergency and business continuity plans were not held off site in all instances. <p>No follow-up review is required, however the new risk management system GRACE</p>

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								will monitor the implementation of the recommendations.
Public Sector Geospatial Agreement (PSGA)	Final Report Issued January 2022	0	0	0	0	1	Reasonable Assurance	<p>The overall opinion of the auditor is that the controls in place to manage the PSGA are 'reasonable'. This means that there is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Only one area was identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> Officers using PSGA do not always list the copyright and OS licence number on every document as per the terms and conditions of the licence agreement. <p>No follow-up review is required as the only recommendation made was 'for consideration' only.</p>
VAT (follow-up)	Position Statement Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Substantial Assurance	The last audit review of VAT was carried out by Lancashire County Council in 2017/18. Full assurance was given and no recommendations were made. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to capture any system or procedural changes that

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>may have introduced any additional risks. Following this, two observations were made in relation to compliance checks and partial compliance. A further follow-up was completed in February 2022 and both recommendations were found to have been implemented.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'substantial assurance' has been given.</p>
Expenses	Position Statement Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>The last audit review of expenses was undertaken by Mazars in 2017/18. An adequate assurance opinion was given and only two minor recommendations were made. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to ensure the two recommendations previously made had been addressed and that there had not been any system or procedural changes that may have introduced any additional risks.</p> <p>A number of other observations were made at the time in relation to the review of travel and subsistence policies, the inconsistent use of log books to record expenses and obtaining evidence of insurance for officers who claim mileage expenses.</p>

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		1	2	3	4	5		
								<p>A further follow-up was completed in February 2022 and the majority of recommendations had been completed, however the issues around the recording of expenses in log-books was still outstanding.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable assurance' has been given owing to the outstanding recommendations.</p> <p>No follow-up review is required, however the new risk management system (GRACE) will monitor the implementation of the recommendations.</p>
Debtors	Position Statement Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>The last audit review of Debtors was undertaken by Lancashire County Council in 2017/18. A substantial assurance opinion was given and two recommendations were made overall. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to ensure the two recommendations previously made had been addressed and that there had not been any system or procedural changes that may have introduced any additional risks.</p>

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		1	2	3	4	5		
								<p>A further follow-up review was completed in February 2022 and of the two recommendations made, one still remains outstanding in relation to the monitoring of council sundry debtors. In addition a further three recommendations were made.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable' assurance' has been given owing to the outstanding recommendations.</p> <p>No follow-up review is required, however the new risk management system (GRACE) will be monitor the implementation of the recommendations.</p>
Creditors	Position Statement Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Reasonable Assurance	<p>The last audit review of Creditors was undertaken by Lancashire County Council in 2017/18. A 'substantial' assurance opinion was given and three recommendations were made overall. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to ensure the recommendations previously made had been addressed and that there had not been any system or procedural changes that may have introduced any additional risks.</p>

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		1	2	3	4	5		
								<p>A further follow-up review was completed in February 2022 and two of the three recommendations were still outstanding relating to the monitoring of retrospective purchase orders and additional controls relating to suppliers' bank accounts.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'reasonable' assurance has been given owing to the outstanding recommendations.</p> <p>No follow-up is required, however the new risk management system (GRACE) will monitor the implementation of the outstanding recommendations.</p>
Budgetary Control	Position Statement Issued to Service Manager	N/A	N/A	N/A	N/A	N/A	Substantial Assurance	<p>The last audit review of Budgetary Control was undertaken by Lancashire County Council in 2017/18. A 'substantial' assurance opinion was given with no recommendations made. A position statement was documented in April 2021 and again no recommendations were made.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'substantial' assurance has been given.</p>
Cash receipting (front desk procedures)	Position Statement						Substantial Assurance	<p>The last audit review of cash receipting for the front desk procedures was undertaken</p>

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	Issued to Service Manager							<p>by Lancashire County Council in 2017/18. 'full assurance' was given and no recommendations were made. In view of this a decision was made not to complete any detailed testing as part of the 2020/21 audit plan, however a position statement was documented in April 2021 to ensure that there had not been any system or procedural changes that may have introduced any additional risks. A minor observation was made in relation to the panic alarms placed in the interview rooms.</p> <p>Owing to a number of changes made following the closure of the reception desk during the recent pandemic, a further review was carried out in September 2021 to follow up the previous issue raised regarding the panic alarms and also obtain assurances around any new procedures recently implemented. Only one area was identified that required strengthening in relation to carrying out monthly reconciliations on reversal of transactions on Civica.</p> <p>Whilst a formal report has not been published in relation to this work, for the purpose of the overall opinion for 2021/22 'substantial' assurance has been given.</p> <p>No follow-up review is required, however the new risk management system</p>

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								(GRACE) will be monitor the implementation of the recommendations.
Fleetwood and Poulton Market (inc: cash receipting)	Draft Report In progress						Reasonable Assurance	<p>The overall object of the audit is to review the controls in place around the management of Fleetwood and Poulton Markets to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>Whilst this report is still in draft, the auditor has reported that subject to agreement with the auditee, ‘reasonable assurance’ will be provided.</p>
Data Protection Policy and process review	Draft Report In progress						Reasonable Assurance	<p>The overall object of the audit is to review the controls in place around the council’s compliance to data protection regulations (namely the UK GDPR) to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>Whilst this report is still in draft, the auditor has reported that subject to agreement with the auditee, ‘reasonable assurance’ will be provided.</p>
Market House Studios	Draft Report Issued						Reasonable Assurance	<p>The overall object of the audit is to review the controls in place around the management of the Market House Studios to identify any areas of potential weakness and / or risk and provide an</p>

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								<p>overall opinion whether the controls in place are managed adequately and effectively.</p> <p>Whilst this report is still in draft, the auditor has reported that subject to agreement with the auditee, 'reasonable assurance' will be provided.</p>
Elections Accounts	Fieldwork still in progress							<p>The overall object of the audit is to review the controls in place around the council's processes for administering the election account to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>It is hoped this piece of work will be completed in June 2022.</p>
Building Maintenance – new reactive repairs framework	Fieldwork still in progress							<p>The overall object of the audit is to review the controls in place around the council's reactive repairs framework in the Building Maintenance Team to identify any areas of potential weakness and / or risk and provide an overall opinion whether the controls in place are managed adequately and effectively.</p> <p>It is hoped this piece of work will be completed in June 2022.</p>

2021/22 Audit work not completed

Civica Pay and Citizen Access Portal - Both these pieces of work have been included in the audit plan since 2019/20. However owing to a number of delays with the implementation of these systems, no detailed audit work could be completed during this time. Position statements were completed in February 2021 and it was hoped that these areas would be picked up again as part of the 2020/21 audit plan. However owing to allocating resources into developing the new risk management system (GRACE) and having involvement in a number of internal investigations, no further work has been completed. Both of these pieces of work will be added to the audit plan priorities for 2022/23.

Marine Hall - Owing to the pandemic, the Marine Hall remained closed or had restricted opening hours for the majority of 2021/22. The Theatre has now re-opened and events are starting to build up again. The Section 151 Officer is keen for Internal Audit to keep this service under continual review and therefore it will be added to the audit plan priorities for 2022/23.

Other audit work undertaken during 2021/22

Key Financial Systems Risk Matrices

On the 14 October 2021, a risk workshop was held with the Finance Team during which a number of key operational risks were identified and placed on the council's risk management system (GRACE). Action plans were compiled to mitigate the risks identified and regular monitoring of these operational risks takes place in accordance with the council's Risk Management Policy and Procedure.

During 2021/22 there was a further turnover in staff within the Finance Team, resulting in a loss of knowledge and experience in systems in particular and leaving a number of posts vacant for part of the year. Whilst a re-structure has now taken place, with the majority of posts filled, there is some concern that new starters have not had the required training and guidance given that some processes had not been documented by the experienced staff prior to their departure, resulting in inexperienced staff training new starters.

In addition, across a small number of teams, a number of unrelated internal control incidents have occurred during 2021/22 that have required internal audit involvement.

In order to provide the Section 151 Officer and the Head of Finance with the assurance required in relation to all of the council key financial systems, the Internal Audit Team have developed a suite of key financial system matrices. These will be used to document all controls in place for each system / process and in doing so will assist with identifying any areas requiring improvement. Work will commence in July 2022 to populate the matrices. An update will be provided to the

Audit Committee in November 2022 as part of the regular audit and risk management update.

Ethical Governance Survey

In September 2021, Elected Members were asked to participate in an Ethical Governance Survey to test their knowledge and understanding of the council's key policies and procedures and expected behaviours around ethical governance. An action plan was formulated and has been circulated to the Corporate Management Team and the Leader. Democratic Services will ensure all the actions are implemented, with the new Councillor Portal, which went live on the 16 May 2022 addressing the majority of the weaknesses identified

Hybrid Working – Spot Checks

Following the introduction of hybrid working in 2021 the Corporate Director Resources asked the Internal Audit Team to carry out a number of 'spot checks' to ensure that staff were adhering to the 'good practice principles' outlined at the staffing sessions in relation to outlook calendars, out of office messages and phone diversions. This piece of work will continue, with any issues also being identified as part of internal audit process. Reminders of the good practice principles will continue to be re-iterated in the Core Brief; the last time was November 2021. Frequently Asked Questions have also been produced by Human Resources and are available on SharePoint.

National Fraud Initiative – Cabinet Office data matching exercise

Since the last NFI update was presented to the Audit Committee in November 2021, little progress has been made to investigate the matches resulting from the 2020/21 council tax single person discount (SPD) data matching exercise. This is owing to members of the Compliance Team still being heavily involved in processing the remaining Covid-19 business grant payments, energy rebates and other competing work pressures. In an attempt to clear the 2020/21 matches before the results of the next data exercise are uploaded (January 2023) training has been arranged for the Corporate Apprentices so that they can assist with these investigations. It is hoped that with this additional resource, all data matches can be investigated and cleared by the end of the year, which will hopefully see a reduction in matches for future years as large number of the matches are historic and typically repeated year-on-year owing to not being cleared.

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 being 27 April 2022. During 2020/21 the following updates / issues were reported;

- Whilst a final report has not yet been issued in relation to the data protection audit being completed by the Internal Audit Team, the Auditor has verbally reported that following the completion of the testing completed, 'reasonable assurances' can be given that generally there are sound controls in place and that whilst some areas have been identified that require strengthening, the auditor is confident that the majority of the issues identified can be addressed relatively quickly. However, a larger piece of work is needed by service managers to bring the information asset registers up to date. It is expected that this report will be finalised in June 2022. The auditor is happy for the Audit and Risk Manager to use this assurance in her annual opinion and for the Head of Governance and Business Support to use as a reliable source of assurance in the Governance Statement.
- On the 4 October 2022, the council moved over to a new Customer Experience Management system (CXM) system for the processing of Freedom of Information requests (FOI) and Environmental Information Regulations requests (EIR). Training manuals were provided to all staff and one-to-one training sessions were offered if required. Overall, staff have transitioned well over to the new system with most teething issues now resolved. FOI/EIR's continued to be reported to CMT during 2021/22 on a quarterly basis, with any delays or high numbers being investigated. On the 24 February 2021, FOI/EIR processers were invited to attend refresher training which an external provider (Tim Turner) delivered. In addition, the same provider also delivered Subject Access Request (SAR) training to a smaller group of officers responsible for processing SAR's. Following this training, SAR guidance has now been drafted and subject to Audit Committee approval in November 2022, this will be made available to all staff on SharePoint.
- Whilst the council's e-learning platform 'Learning Pool' went live in September 2021 and is now being successfully used for a number of health and safety courses, it is still not being utilised for the mandatory induction process as originally intended. This is owing to the limited resources available within Human Resources to develop the system. A new target date has been agreed for the 1 September 2022. Included within the induction section will be two mandatory modules; data protection and cyber security. These two modules will also be used to refresh all existing staff in these two important areas.
- Whilst the council has not had any major cyber incidents during 2021/22 cyber security continues to be a concern. The council is being as pro-active as possible to protect the council and its data, however cyber criminals are getting smarter and it's a constant up-hill battle to try and keep the council's security measures up to date. The key risks continue to be monitored through the risk management system (GRACE) and are reviewed on a quarterly basis by the Corporate Director Resources, Head of Service, ICT

Service Manager, Audit and Risk Manager and the Audit, Risk and Performance Lead. For some time, the council has been liaising with a number of external third parties with the view to procuring assistance to ensure the council has the necessary plans in place in the event of a disaster or a cyber-attack. Whilst this is being explored, the Head of Contact Centre and the ICT Team continue to work closely with the Corporate Director of Resources for some immediate resolutions, which to date have included; completing a detailed risk assessment to identify the council's key cyber risks, identifying more data centre's for the storage of back-up tapes, liaising with other Local Authorities for guidance and assistance and drafting a generic cyber security recovery plan.

- Following the pandemic, the Information Governance Group is now back to holding regular face-to-face meetings every 3 months. The minutes/actions of each meeting are reporting to CMT. Prior to each meeting an agenda is set and circulated. The membership, scope and objectives of the group have been outlined in a Terms of Reference, which will be reviewed annually.
- Seven data incidents were reported to the Data Protection Officer (DPO) during 2021-22 and logged on the council's incident register. Either the relevant service team or the DPO or Deputy investigated each incident and the necessary improvements were made to processes and procedures to prevent similar occurrences. Following the necessary investigations, the DPO did not feel that any of the incidents fell within the scope of being 'reportable' to the Information Commissioner. Incidents continue to be reported to CMT on a quarterly basis.
- Whilst the council has not reported any data incidents to the Information Commissioner in 2021/2022, the council has received an advisory notice in relation to a subject access request that was originally dealt with by District Enforcement. On review of this advisory notice, the DPO feels that a number of inaccurate statements have been made by the Information Commissioner that need to be addressed. It is hoped following a response by the DPO, the advisory notice will be withdrawn.
- During the year there have been a few concerns raised that CCTV systems are being installed / modified across the borough without the involvement of the Partnerships Officer (CCTV) despite training being carried out with the relevant officers. The most recent installation being at Rossall Point. A reminder was placed in Core Brief about the need to ensure authorisation is obtained before any new installations / modifications of CCTV are carried out and a reminder was given to HOS at their meeting on the 6 June 2022, which they were instructed to pass down to their Service Managers. Further consideration will be given to updating the Scheme of Delegation to include the requisite that only the Partnerships Officer can authorise the installations / modification of CCTV systems.

- Elected Members are Data Controllers in their own rights, so it is important that the council supports them to ensure they are complying with data protection legislation, particularly where they are processing council data. Whilst all Elected Members received training on the new GDPR in 2018, no further refresher training has taken place since this time. Given there are no plans at present to roll out the council e-learning package (Learning Pool) to Elected Members, arrangements need to be made to ensure the newly Elected Members in May 2023 receive the necessary training in respect of their responsibilities under the new UK GDPR. This has been added to the AGS action plan for 2021/22.

Other than the concerns surrounding cyber security detailed above and the larger piece of work needed on the council's information asset registers, there are no other significant concerns in relation to the security and use of the council's business assets (data). Both of these areas have been added to the council's AGS action plan for 2021/22, where their progress will be monitored by both CMT and the Audit Committee.

Anti-Fraud and Corruption

The council's counter fraud policies (Whistleblowing, Anti-Money Laundering, Gifts, Hospitality and Registering Interests and Anti-Fraud, Corruption and Bribery) designed to prevent and detect fraud across the council have all been recently reviewed and approved by Audit Committee (November). The policies 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 of the council's counter fraud policies. The last staff survey was completed in 2019, with a further exercise being scheduled for 2022/23. Elected Members completed the survey in late 2021. An action has been populated and will be actioned by Democratic Services. The majority of the actions can be addressed following the launch of the new councillor portal.

Two whistleblowing calls were received in 2021/22. The first incident was reported to the Audit Committee in November 2021. Since last reported, this investigation has now concluded. Following an outcome of gross misconduct a disciplinary hearing was held by the Corporate Director of Communities and the officer was issued with a final written warning. They were also informed they were unable to participate in the hybrid-working programme and should work from the office during the two-year period the final written warning remained on their personnel record. The Audit Committee Chairman has been updated with this outcome.

The second whistleblowing call was received on 2 February 2022. Due to the internal complexities of the case and the conflicts of interest regarding a number of officers, a decision was made, after liaising with the councils' external auditors to

appoint an independent external investigator. The investigation has concluded and the member of staff has left the authority.

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 and Business Support to be included on the council's register. Since 1 April 2021, there have been 12 declarations made, which is a significant increase from the two declarations made in 2020/21. This increase could be owing to the return of some normality following the pandemic and the increase in interaction between members of staff and customers, contractors and businesses.

There have been no reports of suspected money laundering during 2021/22.

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 Audit and Risk Manager and ratified by the Head of Governance and Business Support and the Corporate Director Resources (Section 151 Officer) in May 2022 identified no significant issues that require reporting in the 2021/22 Annual Governance Statement, however a few minor issues require attention. These will be added to the Internal Audit Quality Assurance Improvement Plan (QAIP). See below for further details.

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 Plan (QAIP)

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

assessments. The QAIP, which was last updated following the completion of the internal audit self-assessment, is attached at Appendix 5 for information.

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 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 PSIAS validation in April 2018, full compliance with the standards was reported with only minor issues identified that required consideration. Annual self-assessments continue to be completed by the Audit and Risk Manager and ratified by the Head of Governance and Business Support and the Director of Resources, with the last annual self-assessment being completed in May / June 2022. Following this last assessment only two minor issues were identified as requiring attention, namely:

1. The Quality Assurance Improvement Plan (QAIP) had not been updated since 2019/20. However, it should be noted that the last two self-

assessments (2019-20 and 2020-21) did not identify any areas for improvement and owing to the pandemic, Internal Audit staff had not been identified for any training or continued professional development.

2. Owing to the Audit and Risk Manager directly managing the council's risk management function and the Audit Risk and Performance Lead being heavily involved in the procuring, training, refreshing the policy and rolling out the new risk management framework, arrangements need to be made with a third party to obtain independent assurances of the effectiveness of the risk management process and procedures.

As reported above, there were no significant deviations that required reporting in the 2021/22 Annual Governance Statement.

Compliance Team

Since April 2020, the Compliance team have been heavily involved in the Council's response to the pandemic. In 2021/22 this involved the continued processing and payment of Covid-19 business grants, assisting with the test and trace programme, dealing with the self-isolation support payments as well as administering the household support fund scheme. Having paused debt recovery in 2020/21 (as a result of the pandemic), the team restarted recovery work in 2021/22, issuing over 17,000 reminder notices and 11,500 court summonses for Council Tax and Business Rate arrears.

Looking forward to 2022/23, the Compliance Team will continue to be responsible for the reconciliation and post-payment assurance checks in respect of the various Covid-19 schemes. They will also be heavily involved with the Government's £150 Council Tax Energy Rebate scheme as well as their normal statutory debt recovery responsibilities. There is also an expectation that benefit fraud prevention and detection work will increase as the DWP shift their focus back towards this area.

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 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;
- The operation and design of the governance arrangements; and
- External assurance mapping to identify other sources of assurance.

The table below shows the total number of completed pieces of work by Wyre Council during 2021/22 and the overall audit opinion that was given.

Wyre Council Audit work completed / draft reports issued

Audits completed - old opinion definitions

Audit Opinion	Excellent	Good	Fair	Weak	Poor	Total
Number of Audits	0	2	1	0	0	3

Audits completed – new opinion definitions

Audit Opinion	Substantial	Reasonable	Limited	Minimal / No Assurance	Total
Number of Audits	3	11	1	0	15

Annual Opinion

This is my first annual overall opinion as Chief Internal Auditor and I am pleased to present such a positive report giving the unprecedented challenges of the previous year. The Internal Audit Team have faced a number of further challenges during 2021/22, in particular having to adjust traditional working audit practices to meet the requirements of the new hybrid working arrangements.

Following a restructure in June 2021, a new audit post was created which has allowed considerable progress to be made in strengthening the council’s risk management framework and the external mapping process and also putting in place a more robust process for following-up audit recommendations. All these improvements will have a positive effect on the up and coming Public Sector Internal Audit Standards (PSIAS) peer review in early 2023.

Of the 18 pieces of audit work that have been completed and therefore considered when formulating my overall opinion, it is pleasing to see that only 2 audit reviews were given either a ‘fair’ or ‘limited’ audit opinion. In addition, no individual reports have reported significant areas of concern required to be brought to the attention of the Section 151 Officer or disclosed in the Annual Governance Statement as a

'significant' area of concern. However, it should be noted that there are still two pieces of audit work that have yet to be finalised (election accounts and the building maintenance reactive repairs framework). Should the findings of these reports have a detrimental impact on the opinion already reported, then it will be re-issued prior to the Annual Governance Statement being finalised.

The purpose of my opinion is to contribute to the assurances already available to the council. This opinion does not imply that internal audit have reviewed all risks and assurances relating to the council.

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 face-to-face risk workshops and in the formulation of the Annual Governance Statement. No significant governance issues have been raised that require documenting separately in the Annual Governance Statement for 2021/22. However, when reviewing compliance to the guidance, a number of minor issues have been identified which have been documented in an action plan monitored by Corporate Management Team and reported to the Audit Committee prior to sign off then again in November each year. In addition, it has been identified that internal controls have not been followed in relation to a contract procurement and steps are being taken to resolve the matter.

Following all the work documented within this report, it is therefore my overall opinion that *'reasonable assurances 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)'*. This means that 'generally' there is a sound system of internal control, governance and risk management and that controls are in place and are generally being applied consistently. Whilst some issues, non-compliance or scope for improvement were identified recommendations have been made and if implemented will improve the control environment.

RISK MANAGEMENT PROGRESS REPORT

RISK MANAGEMENT PROGRESS REPORT

In June 2021, the council purchased a risk management system (GRACE) to fully automate the risk management process and remove Internal Audit from the management and administration of risk allowing them to give a more independent and objective opinion on the effectiveness of the risk management processes across the council. The council's strategic, operational and ICT risks are now populated within GRACE and action plans have been added to assist with the mitigation of the risks identified.

Whilst the Audit Committee do not have access to GRACE, strategic and ICT updates / actions plans will be produced and presented to the Committee twice a year. Operational risks will be reported on an 'exceptions' basis. With the Audit Committee being made aware of any risks not being adequately managed.

The council's risk management and assurance framework continues to be well supported by CMT, the Audit Committee and across the organisation. Following the pandemic, staff have welcomed the return of face-to-face risk workshops and quarterly reviews and they have been well attended with all responsible risk owners participating well. All risk owners have now been trained on the new GRACE system, and so far, it seems to have been well received. The changes to the risk management process was documented in a 'refreshed' Risk Management Policy and Procedure and was approved by Audit Committee in November 2021.

Strategic Risks

Each year the council's Corporate Management Team (CMT), Head of Governance and Business Support, Audit and Risk Manager and the Audit Committee Chairman attend a strategic risk workshop, to identify and prioritise risks and to produce an action plan. This year the workshop took place on 18 March 2022. At the workshop, significant business risks that may impact upon the council's priorities (the business plan) were identified and assessed, and appropriate control measures were put place. The report and associated action plan is presented to Audit Committee and progress is monitored on a quarterly basis through the CMT. The results of this workshop can be found at Appendix 3. Further quarterly updates are scheduled to place on the 20 July and the 12 October 2022.

Operational Risks

Progress on the embedding of risk management is reported, to the Audit Committee via six monthly reports by the Audit and Risk Manager. This is in line with the council's Risk Management Policy and Procedure, originally approved by Cabinet in April 2004.

Operational risk workshops were held this year following the strategic risk workshop in March, with each service unit identifying new risks that could occur during the year preventing the achievement of individual service plans. Whilst staff who have responsibilities for identified risks are encouraged to review their risks and update their action plans continually throughout the year, a number of prompts were issued to staff during the year to ensure progress was being documented.

Individual operational risk registers have not been provided as part of this report, however as explained above, Audit Committee members will be updated with any risks that are not deemed to being managed appropriately.

ICT Risks

The council's ICT risk register is reviewed quarterly by the Corporate Director Resources, Head of Contact Centre, ICT Services Manager, Audit and Risk Manager and the Audit, Risk and Performance Lead. The last review was completed on 28 April 2022. The amended register following this review is attached at Appendix 4. The next quarterly review is scheduled for 28 July 2022.