



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

Internal Audit and Risk Management - Progress Report

1. Purpose of report

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

2. Outcomes

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

3. Recommendations

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

4. Background

- 4.1** The Audit Committee has a clear role in relation to the authority's internal audit function and this involves:

- Formally approving, but not directing, the overall strategy to ensure that it meets the council's overall strategic direction;
- Approving the annual programme of audits (paying particular attention to whether there is sufficient and appropriate coverage); and
- Monitoring progress against the plan and assessing whether adequate skills and resources are available to provide an effective audit function.

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

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

5. Key Issues and proposals

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

Financial and legal implications	
Finance	The annual programme of audits is performed by the in-house team supplemented by 70 audit days, supplied by Lancashire Audit services and met from an existing budgetary provision.
Legal	Effective audit and risk management assist in good governance and probity of Council actions.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

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

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

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

List of appendices

Appendix 1 – Internal Audit Progress Report

Appendix 2 – Risk Management Progress Report

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

arm/aud/cr/17/2111jb3

Appendix 1

INTERNAL AUDIT PROGRESS REPORT – JUNE 2017 to NOVEMBER 2017

THE AUDIT PLAN AND DELIVERY

The Internal Audit and Risk Management Section is responsible to the Head of Finance (Section 151 Officer) for carrying out a continuous examination of the accounting, financial and other operations of the Council in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015. The latter states that ***“the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”***

Members of the Audit Committee should note that copies of internal audit reports are published on the Council’s Intranet. Access to the supporting files is available to members of the Audit Committee on request. The table overleaf summarises audit work performed since the last progress reported on the 20 June 2017.

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

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

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

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

Audit Work Performed June to November 2017

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

Wyre Council Reports

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

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

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> The various contact methods available to customers wishing to make a complaint are not clearly published on the council website; The complaints leaflet requires updating; The implementation of actions / feedback resulting from an investigation are not monitored or communicated to the Corporate Management Team; The timescale for the periodic review of the complaints process have not been defined; LGO complaints are not logged on the CRM system and correspondence scanned; and There is currently no formal reporting process in place in respect of complaints and compliments received to enable this to be monitored accordingly.
Compliance with delegated responsibilities	Final Report Issued Nov 17	1	1	2	0	0	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> Executive decisions are not correctly completed in all instances; Key decisions to be made are not published at least 28 days before the decision is due to be taken in all instances; Written authorisation of functions delegated to officers is not obtained in all instances; and The Scheme of Delegations to Officers requires updating to remove obsolete posts.

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

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

Wyre Council - 10 day audits

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

Other on-going work

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

LCC work

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

Other audit work undertaken:

Investigations

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

Money Laundering

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

National Fraud Initiative – Cabinet Office data matching exercise

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

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

Gifts and Hospitality

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

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

Information Governance – GDPR Readiness

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

Anti-Fraud and Corruption Awareness

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

RISK MANAGEMENT PROGRESS REPORT

Operational Risks

Progress on the embedding of risk management is reported to the Audit Committee via six monthly reports by the Head of Governance (Chief Internal Auditor). This is in line with the Council's Risk Management Policy, originally approved by Cabinet in April 2004 and reviewed and approved annually by the Audit Committee in August.

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

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

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

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

Strategic Risks

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

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

ANNUAL GOVERNANCE STATEMENT 2017/18 – ACTION PLAN UPDATE

Appendix 3

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

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

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

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

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