

| Report of: | Meeting | Date | Item no. |
|--|-----------------|-----------------|----------|
| Head of Finance (Section 151 Officer) | Audit Committee | 8 November 2016 | 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 2015/16 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 2015/16 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 Mazars, 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 |

| report author | telephone no. | email | date |
|-------------------|---------------|--|------------|
| Joanne Billington | 01253 887372 | Joanne.billington@wyre.gov.uk | 19/10/2016 |

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

List of appendices

Appendix 1 – Internal Audit Progress Report

Appendix 2 – Risk Management Progress Report

Appendix 3 – Annual Governance Statement 2015/16 - Action Plan update

arm/audit/cr/16/0811jb1

INTERNAL AUDIT PROGRESS REPORT – MAY 2016 to OCTOBER 2016

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 report in May 2016.

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 38 days of audit support at a rate of £260 per day for 2016/17. A further 32 days of audit support is completed by a private audit company ‘Mazars’ at the same rate. 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 and Mazars 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 and Mazars, 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 May to October 2016

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 May 2016. Lancashire Audit Services and Mazars have not yet started any of the planned work from the 2016/17 audit plan, however work is due to commence in November.

Wyre Council Reports

| TITLE | STATUS | RECOMMENDATIONS – PRIORITY RANKINGS | | | | | AUDIT OPINION | Summary |
|--|----------------------------|-------------------------------------|----------|----------|----------|----------|---------------|---|
| | | 1 | 2 | 3 | 4 | 5 | | |
| <u>Audit work from 2015/16 completed since May 2016</u> | | | | | | | | |
| Council Tax Support Scheme | Final Report Issued | 0 | 0 | 4 | 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"> • The revised Localised Council Tax Support policy for 2014/15 has not been published on the council website; • The Compliance Manager is the only member of staff with the facility to decrypt the Housing Benefit Matching Service files; • The reassessment of all working age claimants transferred to the CTS scheme from Council Tax Benefit in 2013 has not been completed; and • The sample checks made to new applications and changes in circumstance are limited. |
| Council Tax Debt Recovery – New | Final Report | 0 | 1 | 2 | 0 | 0 | Good | <p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> |

| TITLE | STATUS | RECOMMENDATIONS – PRIORITY RANKINGS | | | | | AUDIT OPINION | Summary |
|--|---------------------|-------------------------------------|---|---|---|---|---------------|---|
| | | 1 | 2 | 3 | 4 | 5 | | |
| workflow process | Issued | | | | | | | <ul style="list-style-type: none"> • Cases allocated to the workflow category are only reported to one officer; • Review dates are not recorded in all instances for liability orders recorded as ‘pending’; and • Documented procedure notes have not been cascaded to staff or training provided on the development / administration of the system. |
| Compliance with the Anti-Social Behaviour, Crime and Policing Act 2014 | Final Report Issued | 1 | 2 | 5 | 0 | 0 | Fair | <p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Reference to the community trigger procedure has not been included on the ASB website page; • The appeal procedure does not make any reference to the Ombudsman or the Independent Police Complaints Commission; • The Community Safety data sharing agreement is not published on the council website; • External agencies do not always using secure methods of sending sensitive data into the Council, for example GCSX email address or encryption; • Access to paper files are not restricted and retention periods for both paper and electronic files are not documented; • ASB complaints recorded on the CRM system are not delivered to the Pollution |

| TITLE | STATUS | RECOMMENDATIONS – PRIORITY RANKINGS | | | | | AUDIT OPINION | Summary |
|--|------------------------------|-------------------------------------|---|---|---|---|---------------|--|
| | | 1 | 2 | 3 | 4 | 5 | | |
| | | | | | | | | <p>Team in all instances;</p> <ul style="list-style-type: none"> • Internal procedures for noise complaints are not adhered to; and • An ASB policy has not been developed detailing the processes for handling an ASB complaint. |
| <u>2016 / 17 Audit work</u> | | | | | | | | |
| Marine Hall – Bar Stock | Draft Report Issued | | | | | | | <p>The overall objective of these audits is to examine the adequacy and effectiveness of the controls in place around each audit area 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.</p> <p>Appropriate testing was performed to provide assurance that there are adequate controls in place to effectively manage the identified risks within each terms of reference.</p> <p>The terms of reference can be reviewed on BRIAN under the Audit and Risk Management webpages.</p> |
| Crown Green Bowling / Pitch and Put Income and Banking | Draft Report Issued | | | | | | | |
| Compliance to Financial Procedure Rules - Procurement | Draft Report Issued | | | | | | | |
| Election Accounts | Fieldwork in progress | | | | | | | |
| Money Laundering Checks – Payments in excess of £10,000 | Fieldwork in progress | | | | | | | |

Other audits to be performed in 2016/17 (ending 31 March 2017)

Wyre Council Reports

- Payment Card Industry (PCI) compliance (10 days)
- Follow-up work from 2015/16 Audits (20 days)
- Crown workforce management system (20 days)
- YMCA (10 days)
- Concessionary leases (10 days)
- Compliance work – FOI, Environmental Information Regulations and Equality Act (10 days)

LCC Reports

- NNDR (20 days)
- Cash Receipting / Paris (10 days)
- Website Management (10 days)
- Information Governance position statement (5 days)

Mazars Reports

- Payroll / Expenses (10 days)
- Main Accounting (10 days)
- Land Charges (10 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 Councils external Auditor, KPMG. To date, there has been one whistleblowing call during 2016/17 that has required internal audit investigation. The investigation is still on-going therefore no further details can be provided at this stage.

National Fraud Initiative – Cabinet Office data matching exercise.

Data has now been uploaded to the Cabinet Offices Audit Commissions secure data matching system for the 2016/17 data matching exercise. The matches will be released in January 2017.

In respect of the matches from the 2015/16 data matching exercise, The Compliance Team are still working through the matches and a report will be brought to the March Committee showing the results from the exercise.

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 December 2015 and the Audit Committee May 2016

A reminder will be placed in Novembers Core Brief, reiterating to staff the importance of declaring all gifts and hospitality received and that there is an on-line form on BRIAN to facilitate the reporting process. Since April 2016 there have been 9 declarations made by council officers receiving gifts and hospitality.

Information Governance

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

Work is continuing in respect of implementing the actions highlighted in Lancashire Audit Services report on the Council's Information Governance Framework. Information Asset registers are being completed for each council service. A large proportion of them have now been completed and asset owners have received training on their roles and responsibilities. The Audit and Risk Management Section will continue to work with the remainder of the service areas to implement their asset registers which will show the data's classification, the asset owner and also the storage and retention requirements. Once they have been completed, further training will be provided to the identified asset owners.

Security Sweeps

A security sweep of the Civic Centre was carried out in July 2016. No major concerns were identified and all minor issues have been reported to Heads of Service to ensure they are resolved with the individual officers concerned.

Anti-Fraud and Corruption Awareness

The council's counter fraud policies are reviewed annually in November and are approved by the Audit Committee. A refresher exercise will be completed before March 2017 to test awareness of existing staff and also pick up any new starters to the Council who may not have had the opportunity to read the policies provided to them as part of their induction.

RISK MANAGEMENT PROGRESS REPORT

Operational Risks

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

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

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

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

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

Strategic Risks

The Council's strategic risk register is reviewed every six months. Any changes to the ratings are documented and supported by a valid reason and sufficient evidence. The 6 monthly review was carried out with the Corporate Management Team on the 20 October 2016 and the results will be reported verbally to the Audit Committee.

The next strategic risk workshop will be held on the 6 February 2017.

ANNUAL GOVERNANCE STATEMENT 2015/16 – ACTION PLAN UPDATE

| Governance Issues | Risk Rating | Year relating to | Finding / Actions | Responsible Officer | Position at October 2016 |
|-------------------------------|-------------|------------------|--|---------------------|--|
| Information Governance | Medium | 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> <p><u>Action</u> Training will be providing to promote FOI / subject access requests to ensure staff use the correct channels and understand the importance of responding within the correct timescales.</p> | Colin Worth | Training sessions will be arranged in January 2017. |
| Business Continuity | High | 2015/16 | <p>Recent flooding in the Borough identified a number of issues, namely;</p> <p>The Council's Duty Officers were relied upon for the majority of the support during the incident placing the staff under strain; and</p> <p>The Council's Emergency Planning Officer is also the Copse Road Depot Manager. Both are important roles during an incident and there are difficulties in carrying out both roles effectively at the same time.</p> <p><u>Action</u> The Management Team will review the Council's Emergency Planning / Business Continuity and Duty</p> | Management Team | The Council's Emergency Response Plan has recently been revised to |

| Governance Issues | Risk Rating | Year relating to | Finding / Actions | Responsible Officer | Position at October 2016 |
|--------------------------|-------------|------------------|--|----------------------------|---|
| | | | Officer Roles to ensure the current arrangements are fit for purpose. | | ensure workloads are spread more evenly in the event of an emergency. In addition, it has been recognised that the Duty Officers may need additional support during an emergency and that workloads need to be spread to other officers allowing the Duty Officers to continue with their roles out of hours. |
| | Medium | 2015/16 | <p>Some service Business Continuity Plans are out of date and it is felt that the plans are often not challenged therefore plans may not be as effective / useful as they could be.</p> <p>Action The Council's Risk and Insurance Officer will promote the importance of the accuracy of plans and reinforce that the responsibility of ensuring they are accurate sits with the relevant plan owner and deputy. However, random samples will be carried out to ensure the content of the plans is accurate.</p> | J Billington / N Mountford | <p>Reviews are scheduled for December 2016.</p> <p>An exercise will be undertaken following the review to ensure the accuracy of the plans.</p> |
| Health and Safety | High | 2015/16 | <p>From the 1 July 2016 there will be a new Management Team who may not be fully aware of their new roles and responsibilities in respect of health and safety.</p> <p>Management Team do not currently receive regular updates on key health and safety issues e.g.</p> | | |

| Governance Issues | Risk Rating | Year relating to | Finding / Actions | Responsible Officer | Position at October 2016 |
|------------------------------|-------------|------------------|---|---|---|
| | | | <p>legionnaires and asbestos.</p> <p>The staff survey highlighted that health and safety information on BRIAN is out of date.</p> <p>Action Management Team will consider health and safety matters on a quarterly basis.</p> <p>The New Management Team will receive the appropriate health and safety training.</p> <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> | <p>L Hadgraft</p> <p>L Hadgraft / K Holmes</p> <p>L Hadgraft / K Holmes</p> | <p>The Head of Business Support now attends Management Team on a regular basis.</p> <p>A programme of training is currently being drawn up by the Head of Business Support and the Health and Safety Advisor. Training will include legionnaires and Asbestos.</p> <p>A review of BRIAN will take place before 31 March 2016.</p> |
| Corporate Information | Low | 2015/16 | <p>Staff are not receiving or finding out about key corporate messages as and when they are issued. There is a function on BRIAN to allow staff to 'opt in' to being sent an alert when there is a new posting to BRIAN.</p> <p>In addition, as more information is added to BRIAN, key messages drop off the first screen making it harder for staff to find the information they need.</p> | | |

| Governance Issues | Risk Rating | Year relating to | Finding / Actions | Responsible Officer | Position at October 2016 |
|--------------------|-------------|------------------|--|---|---|
| | | | <p>Action Key corporate messages will be sent via email to all staff.</p> <p>The Communication Team will look to find a solution to keeping key messages at the top of the news feed.</p> | <p>C Worth / M Hesketh</p> <p>M Hesketh / R Green</p> | <p>R Green has met with IT and a SharePoint consultant to look at some redesign work to BRIAN which will include the ability to categorise alerts, pin important corporate messages to the top of the newsfeed and align the Councils social media stream with BRIAN so that messages are constant and seen by all staff.</p> <p>In addition an internal communication review has been scheduled this year which will also flag if any further changes are to BRIAN are required.</p> |
| Procurement | High | 2015/16 | <p>At present there is a dedicated resource allocated to procurement; however this will not be the case going forward as the procurement officer has indicated that he will be leaving the authority – his last day of employment is anticipated to be 1 August 2016. The post will not necessarily be replaced on a like for like basis and a review is currently underway.</p> <p>There have been examples in 2015/16 where non-compliance to the Council's Financial Regulations and Financial procedure rules have been identified; in</p> | | |

| Governance Issues | Risk Rating | Year relating to | Finding / Actions | Responsible Officer | Position at October 2016 |
|-------------------|-------------|------------------|--|--|--|
| | | | <p>particular;</p> <p>Instances of procurements where Financial Regulations are not correctly waived;</p> <p>Concerns that not all procurements are being published in the contracts register; and</p> <p>Non-compliance with EU Procurement rules.</p> <p>Action The Audit Team will carry out a review to test compliance to the Council's Financial Regulations and Financial Procedure Rules / legislation.</p> <p>Refresher training will be provided for the new Management Team and existing spending officers.</p> <p>A regular check to CIVICA will be made to ensure the Council's contract register is up to date.</p> | <p>J Billington</p> <p>M Hesketh / J Billington</p> <p>M Hesketh / Finance</p> | <p>The review has now been completed and a draft report will be issued shortly.</p> <p>Testing identified that there are weaknesses in of these areas and actions will be sought to address these weaknesses.</p> <p>This will be addressed once the report has been finalised. Reference has been made to this in the report.</p> <p>Prior to the departure of the Procurement Officer, manual reconciliations were being carried out to compile the contract</p> |

| Governance Issues | Risk Rating | Year relating to | Finding / Actions | Responsible Officer | Position at October 2016 |
|-------------------|-------------|------------------|-------------------|---------------------|--|
| | | | | | <p>register. The review identified that this is not a complete document. There is currently no procurement officer and a recruitment exercise is in progress. In the interim period, support is being obtained from the Lancaster City Council Procurement Manager.</p> <p>Currently the Legal Team are reviewing the contracts register on a monthly basis to ensure it is kept up to date.</p> |