Report of:	Meeting	Date	Item No.
Corporate Director of Resources (S151 Officer)	Audit Committee	20 May 2015	8

Internal Audit Annual Report 2014/15

1. **Purpose of report**

   1.1 To approve the Internal Audit Annual Report for 2014/15 and review progress in relation to risk management activity.

2. **Outcomes**

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

3. **Recommendation**

   3.1 Members are asked to note the Internal Audit Annual Report attached at Appendix 1, the Risk Management Progress Report at Appendix 2 and the Strategic Risk Management Review at Appendix 3.

4. **Background**

   4.1 The Internal Audit Annual Report is produced in order to meet the requirements of the Public Sector Internal Audit Standards and to assist in meeting the Accounts and Audit Regulations 2015 which were recently issued and came into force on 1 April 2015. It provides details of audit coverage and of the work carried out by the section and contains the Chief Internal Auditor's opinion of the overall level of control in operation.

   4.2 The Audit Committee's role in relation to reviewing the work carried out includes formal consideration of summaries of work done, key findings, issues of concern and actions in hand as a result of audit work. A key part of the role is receiving and reviewing regular reports from the Head of Governance (Chief Internal Auditor) in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage. The Audit Committee has a clear role in relation to the authority's internal audit function and this involves:

> ➢ Formally approving, but not directing, the overall strategy to ensure that it meets the council's overall strategic direction;

> ➢ Agreeing the annual audit plan (paying particular attention to whether there is sufficient and appropriate coverage); and

> ➢ Monitoring progress against the plan and assessing whether adequate skills and resources are available to provide an effective audit function.

5. Key Issues and Proposals

5.1 The Internal Audit Annual Report, Operational and Strategic Risk Management Reports are attached at Appendices 1, 2 and 3.

Financial and legal implications	
Finance	None arising directly from the report.
Legal	Effective audit and risk management assist in good governance and probity of Council actions.

Other risks / implications: checklist

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

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
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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 2014/15

Appendix 2 – Risk Management Progress Report – Operational Risks

Appendix 3 – Strategic Risk Management Review

arm/audit/cr/15/2605jb2

INTERNAL AUDIT ANNUAL REPORT 2014/15

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

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

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

Internal Audit continues to provide the council with the necessary assurance about its various activities and associated systems, as outlined in the council's Internal Audit Charter. The audit service's effectiveness has also been recently reviewed using the Public Sector Internal Audit Standards.

The annual contract with Lancashire Audit Services (LAS) provided 70 days of audit support at a rate of £264 per day for 2014/15. 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.

Electronic internal feedback review forms are distributed after each audit review and in 2014/15 all the feedback received stated that the work of Internal Audit was highly valued.

The audit plan for 2014/15 comprised a total of 20 operational reviews, 1 of which had been carried forward from 2013/14 (Rossall Sea Defences). Only 1 review is being rolled forward into the 2015/16 financial year (Street Scene Area Officers – Enforcement, workloads and reporting). Therefore, 95% of the 2014/15 plan will be completed within the agreed number of days and to budget.

Audit Work Performed in 2014 / 2015

Summarised below are the reviews that have been performed and reports issued in 2014/15. Final reports are published in full on the Council's Intranet site.

Lancashire County Council reports

TITLE	STATUS	RECOMMENDATIONS				Summary
		Extreme	High	Med	Low	
Follow-up 2013/14 Audit Recommendations	**Work Completed**	N/A	N/A	N/A	N/A	No final report has been issued. Assurance was provided to the Head of Governance (Chief Internal Auditor) that agreed actions within a sample of audit reports have been actioned in the agreed timescales. There were a number of actions that had not been implemented in the timescales agreed and the Head of Governance (Chief Internal Auditor) will document the reasons for non-implementation and monitor the progress going forward.
VAT	**Final Issued**	0	0	0	0	The audit work undertaken allows LCC to give **Full Assurance** over the controls in place in respect of the procedures in place for processing of VAT. No recommendations were made.
Information Governance	**Final Issued**	0	0	13	3	The audit work undertaken allows LCC to give **Limited Assurance** over the controls in place in respect of the Council's Information Governance procedures. The audit identified some areas of good practice and an obvious commitment to protecting council data from the officers involved in the day-to-day management. However, there remain significant weaknesses in arrangements and risks to the personal and sensitive data that the council holds and it is the opinion of the auditor that further efforts could and should be made to improve standards and further mitigate those risks. There is also the need for the establishment of an effective governance framework which has clearly defined roles and responsibilities and supporting policies and procedures. Whilst there is an acceptance of the need for this framework, senior management support from all areas of the council will be essential to facilitate the necessary changes.

TITLE	STATUS	RECOMMENDATIONS				Summary
		Extreme	High	Med	Low	
General Ledger (Main Accounting)	**Final Issued**	**0**	**0**	**0**	**2**	The audit work undertaken allows LCC to give **Substantial Assurance** over the controls in place in respect of the Council's general ledger (Main Accounting) system. A few minor issues were raised which require attention, namely: • There are no explanations recorded as to the reasons why new objective codes had been created; and . Journals did not have adequate header descriptions and source information for the journals was not being retained for the necessary period.
Emergency Planning & Business Continuity	**Final Issued**	**0**	**0**	**7**	**0**	The audit work undertaken allows LCC to give **Substantial Assurance** over the controls in place in respect of the Council's Emergency Planning and Business Continuity arrangements. The audit identified areas of good practice in both its emergency planning and business continuity functions, in particular the clear definition of aims and objectives in the corporate policy and strategy that are consistent with the expectations of a category 1 responder as defined under the Civil Contingencies Act 2004. However, although substantial assurance has been provided, there are still a number of issues that are affecting the overall effectiveness of those arrangements and in the auditors opinion will have an increasingly adverse impact upon the council's arrangements if they are not addressed. Namely; • The auditor was unable to confirm that, in all cases, lessons learnt from exercises have led to the update of appropriate plans; • Business continuity plans are not being exercised annually in accordance with policy. If the council is unable to regularly exercise and update its various emergency and business continuity plans there is an increasing risk that those plans will become ineffectual and prohibit the council from responding effectively to a major incident and meet its obligations as a category 1 responder; and • There is no clear coordination between business continuity plans and ICT disaster recovery arrangements. This is an area that needs to be considered and reviewed urgently as it impacts on all current business continuity plans.

TITLE	STATUS	RECOMMENDATIONS				Summary
		Extreme	High	Med	Low	
Software and Hardware Management	**Final Issued**	0	5	7	0	The audit work undertaken allows LCC to give **Limited Assurance** over the controls in place in respect of the management of the Council's software and Hardware Management. A recent incident relating to Oracle licensing has already exposed the council to the threat of a major financial penalty. Under current arrangements assurance cannot be provided that a similar incident will not re-occur. The inability of the current SNOW software tool to support effective asset management is a major contributory factor in this and whilst it is recognised that the effective management of assets manually is complex and time consuming, it is considered essential pending the acquisition of an alternate asset management system. The goals of software asset management are to reduce IT costs and limit business and legal risk related to the ownership and use of software, while maximizing IT responsiveness and end-user productivity. The effective management, control and protection of software assets also requires the effective management, control and protection of information about related assets, including hardware, which are needed in order to manage software assets. Ineffective hardware asset management also introduces risks relating to the loss and disclosure of personal and sensitive data, business continuity and service resilience as well as the financial impact of physical asset loss. In the opinion of the auditor, a fully effective solution that meets these goals and addresses the risks cannot be achieved without effective software and procedures in place to support the process.

Wyre Council Reports

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Un-adopted Assets	**Final Issued**	**0**	**0**	**4**	**0**	**1**	**Fair**	Areas have been identified where improvements could be made to strengthen the control environment, namely; • There is a lack of understanding regarding the council's maintenance responsibilities for un-adopted assets; • A schedule of works detailing reactive and programmed maintenance has not been drawn up and agreed with Wyre Housing Association; • The recommendations detailed in the cabinet report dated 3 October 2005 have not been fully implemented; • Annual budgets are not utilised as intended; and • The maps / plans utilised by the Engineering Team are out of date and require updating to reflect current maintenance responsibilities.
Shaping Your Neighbourhood	**Final Issued**	**0**	**0**	**7**	**1**	**1**	**Good**	Areas have been identified where improvements could be made to strengthen the control environment, namely; • Lead members disclosing an interest in a project being assessed should not be allowed to complete the appraisal process; • The sustainability of projects has not been consistently assessed or evidence requested to support this; • A number of projects have

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								maintenance implications for the council and these costs should be assessed; • Formal timescales for completion have not been agreed for all projects; • Confirmation of match funding is still awaited for four projects; • The 'cook and eat' project is not meeting agreed targets and evidence of expenditure has not been received; • Site visits are not routinely completed to gain an understanding of the project or to verify expenditure; • Closure reviews are not carried out for completed projects enabling lessons to be learnt; and • A review of the Warren Farm project should be completed to ensure lessons are learnt.
Project Management	**Final Issued**	0	0	7	0	1	**Fair**	Areas have been identified where improvements could be made to strengthen the control environment, namely; • The PM templates are not used and uploaded to the PM module for every project; • Training needs should be assessed to ensure all PM staff have received adequate training; • Project briefs are not completed for all council projects; • All council projects included in the business plan are not appraised prior

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								to approval by full council; • Project plans are not completed and uploaded onto the PM module in all instances; • Quarterly highlight reports are not completed for all projects; • Risks are not identified and documented in all instances; and • The central lessons log is not routinely updated.
Marine Hall	**Final Issued**	0	11	6	0	1	**Good**	Areas have been identified where improvements could be made to strengthen the control environment, namely; • Procedures are not documented and held in a procedures manual; • A loss of income has been incurred where bookings require an up-front fee; • Staff time is not always accurately recorded and overtime claims have not been calculated correctly; • The terms and conditions relating to annualised hours does not clearly state the overtime rates payable; • CCTV signage is not displayed in the reception and bar areas; • Staff appraisals and personal development plans have not been completed for all staff; • Event sheets are not completed for all events detailing the fees and charges applicable to each booking;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								• The fees for one booking had not been correctly invoiced; • Purchase orders have not been raised for all invoices paid; • Purchase card transactions are not recorded against the event to which they relate and supporting receipts are not reviewed prior to authorisation; • Box office cash is not always verified by a second officer when balancing the till; • The PARIS system and the box office system (EPOS) are not linked and PARIS must be manually selected to ensure a payment is taken; • Accurate reconciliations of box office ticket sales to PARIS cannot be completed due to the two systems not being linked; • Stock records are not accurately maintained; • User access permissions on the stock system are not suitable; • Evidence that annual reviews of risk assessments are completed and communicated to staff is not available; • Fire procedures require reviewing and regular briefings to trained staff are required; and • Access to the main office should be reviewed to ensure unauthorised access cannot be obtained.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Estates – Detailed follow-up)	**Final Issued**	0	0	4	0	0	**Good**	Areas have been identified where improvements could still be made to strengthen the control environment, namely; • **Finding 1 –** annual progress reports to Cabinet are not completed; • **Finding 7 -** A full reconciliation of estates records with the fixed asset register is required as a matter of good practice; • **Finding 8 -** An inspection programme covering all leasehold properties listed on the estates asset register is outstanding; and • **Finding 10 -** A record of all lease agreements and their renewal date is required.
Car Parking – Storage, Retention and Monitoring of Badge Camera Data	**Final Issued**	2	0	4	0	0	**Fair**	Areas have been identified where improvements could be made to strengthen the control environment, namely; • The Data Protection agreement has not been amended and signed by Wyre Council; • The Wyre Bodycam Protocol is not adhered to in all areas particularly recording viewings of data and retention periods; • Evidence of the signed user forms completed by the CEOs was not available at the time of the review; • Comparisons between the Bodycam user records and the audit log are not

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								completed to identify any downtime not recorded; • No reviews of the footage collected by the CEO Supervisor are undertaken; and • The Bodycams are not worn correctly in all instances enabling suitable images to be obtained.
Cash /receipting (PARIS) handling procedures	**Final Issued**	1	2	2	2	0	**Good**	Areas have been identified where improvements could be made to strengthen the control environment, namely: • The corporate instructions for persons handling cash / processing of income have not been signed by all staff involved in these processes; • There are two sets of cash handling instructions in place and these should be consolidated to ensure instructions are consistent; • Security arrangements are not sufficient in some areas and should be reviewed; • The stocks of parking permits are not securely stored; • Cash floats are not securely stored or held in sealed envelopes when not in use; • A change float is not held making it difficult to provide change to customers; and • A list of authorised cash collectors is not supplied by NSL.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Masternaught detailed follow-up	**Final Issued**	0	0	3	0	1	**Good**	Areas have been identified where improvements could still be made to strengthen the control environment, namely; • **Finding 2 –** The Masternaut system still requires updating to ensure all information relating to the council's business continuity arrangements are correct; • **Finding 3 –** Managers do not have access to the Masternaut reports produced by People and Places administration; and • **Finding 6 –** the role of the systems administrator is not being undertaken by the People and Places administration team. In addition to the 3 findings that still require attention, there was a further action required in relation to the use of driver keys. Each vehicle driver is assigned an individual driver key to use when they are driving a council vehicle. Drivers must insert their key into the key reader to enable them to be identified on the Masternaut system. However, it was noted that these keys are not being used in all vehicles fitted with a key reader.
Payroll	**Final Issued**	0	2	4	0	0	**Excellent**	Areas have been identified where improvements could be made to strengthen the control environment, namely; • The Employer Discretions Policy requires reviewing to ensure recent

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								updates are included; • The payroll system requires amending to ensure pension contributions for staff on maternity and sick leave are correctly calculated; • Manual overtime claims are not authorised by an authorised signatory in all instances; • Mileage books are not reviewed by a line manager in all instances prior to the authorisation of a mileage claim on the HR21 system; • BACS reports are not signed by both the officers completing the payment process; and • Access to the system audit trails are not restricted to IT staff only.
Recruitment and Selection	**Final Issued**	0	4	3	1	0	**Good**	Areas have been identified where improvements could be made to strengthen the control environment, namely; • The Recruitment and Selection Handbook requires updating to reflect new terminology regarding Disclosure and Barring Service checks; • Shortlisting forms are not fully completed and signed by all members of the interview panel; • Interview assessment forms are not fully completed to confirm the reason for appointing a candidate; • Documents obtained to verify a candidates identity were not in the list

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								- of approved documents; - Accurate records are not maintained to demonstrate the hours worked by agency staff or that operational briefings have been received; - Agency staff are allowed to work for the council for more than 12 weeks; - Evidence of the completion of identity checks is not requested from the supplier of agency staff; - Induction checklists are not returned from departmental managers to confirm their completion; and - Manual training records are not retained when personal files are destroyed in accordance with retention policies.
Working Together with Families	**Draft Report issued**							The overall objective of the audit was to review the systems and procedures in place surrounding the Working Together with Families framework 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.
Building Maintenance	**Draft Report Issued**							The overall objective of the audit was to review the systems and procedures in place surrounding Building Maintenance 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.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Data Protection – Data Sharing Agreements	**No report issued**	N/A	N/A	N/A	N/A	N/A		No report has been issued for this piece of work. The objective of the work was to identify what data sharing agreements were in place across the organsiation. Once a full list has been established, a risk based approach will be used to decide the areas that will require a full audit review.
Rossall Sea Defences	**No Report Issued**	N/A	N/A	N/A	N/A	N/A		No report has been issued for this piece of work. Fieldwork has included; attending contract meetings, reviewing risk registers and examining the contracts terms and conditions. It was felt that a continual review would be more beneficial to the Head of Engineering allowing advice and assistance to be provided at the time is was required rather than after the event. To date, the auditor has no concerns that need to be raised with the Section 151 Officer which would have an adverse effect on the Annual Governance Statement.

Audits to be rolled forward in to the 2015 /16 Audit Plan

1 audit has been rolled forward into the 2015/16 audit plan, which was agreed by the Audit Committee in March 2015. The rolled audit is as follows;

- Street Scene Area Officers – Enforcement, workloads and reporting

Work will commence in the first quarter of the audit year.

Other audit work undertaken:

Investigations

There have been no internal investigations carried out during 2014/15.

National Fraud Initiative – Audit Commission's data matching exercise.

The Council is in the process of processing the data matches received from the Audit Commission in January 2015 regarding payroll, creditor payments, licences, insurance claims and resident parking permits. Once the November 2015 'Protecting the Public Purse' document from the NFI has been received summarising their findings a report will be presented to the Audit Committee.

Gifts and Hospitality (Received and Provided)

The Audit and Risk Management Team maintain the register of gifts and hospitality and provide advice when necessary. In addition, a reminder was issued to staff in December 2014 reminding staff of the policy and the need to report any gifts or hospitality received. Since 1 April 2014 there has been 68 gifts and hospitality items registered, compared to 37 items registered in 2013/14.

Internet Usage

Weekly monitoring reports are produced by IT and reviewed by the Head of Governance (Chief of Internal Auditor). Generally, usage is low and there have been no instances of misuse during 2014/15 that has required investigation.

Information Governance

The Council's on-line training package - 'Focus on Information Security' has been completed by all staff. All new starters are required to complete and pass the course within four weeks of their start date.
There are still some elected Members who have not completed the course, however a reminder will be issued to long standing members at the same time the newly elected members are asked to complete the course after the Elections on the 7 May 2015.

During 2015, LCC carried out a review of the Council's information governance framework. An action plan was formulated and extra resources will be committed to ensure the actions can be implemented in accordance with agreed timescales. The main area requiring attention is around the Council's Retention Schedules which are currently in the process of being prepared. However, it is now the intention to extend these schedules to include responsible asset owners and also a corporate data classification scheme. While this is being finalised the Council are using DCLG's 'Local Government Classification Scheme' which can be found on the intranet under the Information Governance page.

The exercise to identify any gaps in staff and member knowledge in respect of Information Governance is now expected to take place in Summer 2015.

Desktop Audit (laptops / licences)

There is an on-going review of the systems in place for the management of Council owned laptops, licences and software. A rolling programme is in place to ensure IT recall all laptops on a regular basis. IT are currently in the process of recalling all laptops from members that have IT equipment that were either not elected or are not standing. With effect from May 2015 elected members will be required to provide their own IT equipment funded by a new allowance.

Anti-Fraud and Corruption Awareness

All the Council's counter fraud policies are located on BRIAN to allow staff and Elected Members easy access. It is intended to refresh staff awareness in Summer 2015 with a questionnaire to both staff and elected members to highlight any gaps in knowledge.

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. This year's review has been completed using the 'Public Sector Internal Audit Standards' and 'Local Government Guidance Note' issued by CIPFA. There were no major gaps with compliance and the few minor issues were raised with the Audit Committee in May. 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 organsiation. External assessments can be in the form of a full external assessment, or a self-assessment in-house with independent external validation.

Quality Assurance Improvement Programme

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

> The internal assessments include the following;

- An annual self-assessment of the effectiveness of the audit service using the PSIAS. From this assessment an action plan highlighting areas for improvements will be developed. The results of this exercise are reported to the Audit Committee in May each year;
- 6 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 Sections Audit Charter and also in the PSIAS.

> External assessments include:

- A 5 yearly independent assessment of compliance to the PSIAS;
- Annually review of the Council's Annual Governance Statement as part of the Financial Accounts audit;
- Regular attendance at the Audit Committee by the Council's External Auditor with the opportunity to meet in private with the Committee; and
- Receipt of all internal audit reports by the Council's External Auditor, with the opportunity to discuss the findings with the Audit Committee.

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 organsiation. The PSIAS replaced CIPFA's 'Code of Practice for Internal Audit in Local Government'. The PSIAS requires that areas of non-compliance with the PSIAS Definition of Internal Auditing and the Code of Ethics are reported in the Annual Audit report and that significant deviation requires inclusion in the Council's Annual Governance Statement. It should be noted that at the last review in May 2015 there were no deviations to report.

Security Sweeps

Security sweeps of the building were carried out in May and December 2014 with the objective being to give an opinion on the overall security of the Civic Centre, making suggestions where improvements could be made and ensuring that the Council is complying with the seventh data protection principle 'personal information must be secure'. A few minor issues were identified at the time of the security sweep but they were immediately rectified.

Benefit Fraud Team

During 2014/15 the Benefit Fraud Team have taken the following action;

- Formal cautions (April 2014 to March 2015) – 20 totalling £37,712
- Administrative penalties (overpayments) – 9 totalling £6,863
- Administrative penalties (fines); either 30% or 50% - 9 totalling £3,899
- Criminal Prosecutions – 6 totalling £60,654

From 1 August 2015, the Department for Work and Pensions (DWP) will take over responsibility for the investigation of suspected fraudulent claims for housing benefit (HB). The Council's Compliance Team will however continue to review ongoing claims for HB in order to ensure that wherever possible the Council is not overpaying benefit that it subsequently has to fund in part itself and recover from the claimant.

As a consequence of the transfer of HB fraud investigation to the DWP, one member of the current fraud team is to transfer to the DWP, with another officer retiring. The remaining members of the team will continue to investigate suspected cases of corporate fraud including fraudulent claims for council tax support, falsely claimed council tax and business rate discounts and exemptions and council tax and business rate avoidance cases.

INTERNAL CONTROL SYSTEM

In accordance with the Audit and Accounts Regulations 2015, Internal Audit is required to form an opinion on the adequacy and effectiveness of the Council's internal control environment, which includes consideration of any significant risk or governance issues and control failures that have been identified throughout the year.

In providing an overall opinion on the Council's system of internal control, it should be noted that assurance can never be absolute. Internal Audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed. In arriving at an opinion, consideration is given to;

- The findings from the audit work undertaken during the year;
- The amount of audit work undertaken in the year compared with work planned;
- The results of follow up action in respect of audit work;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks; and
- The issues identified in the Annual Governance Statement.

The tables below show the total number of completed reports to date from both Wyre Council and Lancashire County Council during 2014/15 and the overall audit opinion / level of assurance that was given and also the total number of audits where the report is still at the draft stage.

Wyre Council Reports

Audit Opinion	Excellent	Good	Fair	Weak	Poor	Draft	Total
Number of Audits	1	6	3	0	0	2	12

Lancashire County Council (LCC) Reports

Level of Assurance	Full	Substantial	Limited	None	Still in draft	Total
Number of Audits	1	2	2	0	0	5

No reports have been issued for the following pieces of work;

- Rossall Sea Defences;
- Data Protection – Data sharing agreements; and
- Follow-up review of 2013/14 audit recommendations.

Further details of the work carried out in these three areas can be found in the summary of audit work performed earlier in the report.

Internal Audit's Opinion on the Council's Control Environment

Although 3 audits have been given an audit opinion of 'fair', and 2 'limited assurance', the actions that management have agreed in response to the findings will, if implemented satisfactorily, resolve them in an appropriate manner. Of the reports that have been finalised, there are no areas that have fallen into the 'weak' or 'poor' audit opinion category, therefore it is the opinion of Internal Audit that the Council continues to maintain an effective control environment.

There are no significant control issues identified through the work of Internal Audit that require disclosure in the Council's 2014/15 Annual Governance Statement.

It should be noted that at the time of publishing the Annual Audit Report there were 2 reports that were still at 'draft' stage (Property Maintenance and Working Together with Families (WTWF)). There are no fundamental issues being reported in the WTWF report, however there may be issues identified in connection with Property Maintenance.

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

wyre
council

Wyre Council - Audit and Risk Management

STRATEGIC RISK REVIEW

12 March 2015

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Appendix D - Risks removed from the register

Report Preparation

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

Report Distribution

This report has been issued to:

- Garry Payne – Chief Executive
- Philippa Davies – Corporate Director of Resources
- Michael Ryan – Corporate Director of People & Places
- Joanne Billington – Head of Governance

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1. Introduction

1.1 On the 12 March 2015 a strategic risk management assessment was facilitated by the Senior Auditor for Wyre Council in accordance with the council's annual risk management process.

1.2 This exercise involved the Corporate Management Team, Head of Governance and Councillor Balmain in his role as the Chairman of the Audit Committee. The session provided an opportunity to review the existing strategic risk register for Wyre Council and to identify and prioritise any new risks facing the Council in its delivery of its business plan for 2015/16.

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2. Executive Summary

2.1 The last half yearly review of the strategic risk register was completed in October 2014 by the Corporate Management Team. This exercise allowed any changes since then, both in circumstance and direction, to be identified and reflected in the revised risks.

2.2 During the most recent review the group identified 3 new risks and concluded that 4 of the original 10 risks could be removed from the register. (Appendix D describes the risks and the reason for their removal from the register). The 6 risks remaining from the original register were reviewed in terms of likelihood and impact resulting in 2 being amended and 4 retaining the same rating.

2.3 A review of the risk appetite was completed resulting in the low likelihood and critical impact risks falling below the risk appetite. There are now 4 risks above the risk appetite and 5 risks below. The completed matrix is shown in Appendix A.

2.4 Following the assessment the 4 risks above the risk appetite are as follows:

Risk Number	Description
18	Central government funding post 2015/16 is insufficient to provide the current level of service provision.
22	

		The Leisure review does not generate the required rate of return.
	23	The efficiency programme is insufficient to meet the funding gap identified.
	26	Capital receipts from asset disposals are not achieved leading to insufficient funding to deliver capital projects.

2.5   These 4 risks above the risk appetite (Appendix B) will now be managed and monitored to ensure that it does not hinder the delivery of the Council's objectives. A risk owner for each of these risks has been identified and it is their responsibility to ensure that an action plan is developed that clearly demonstrates how the risk will be managed.

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

3.0. Approval

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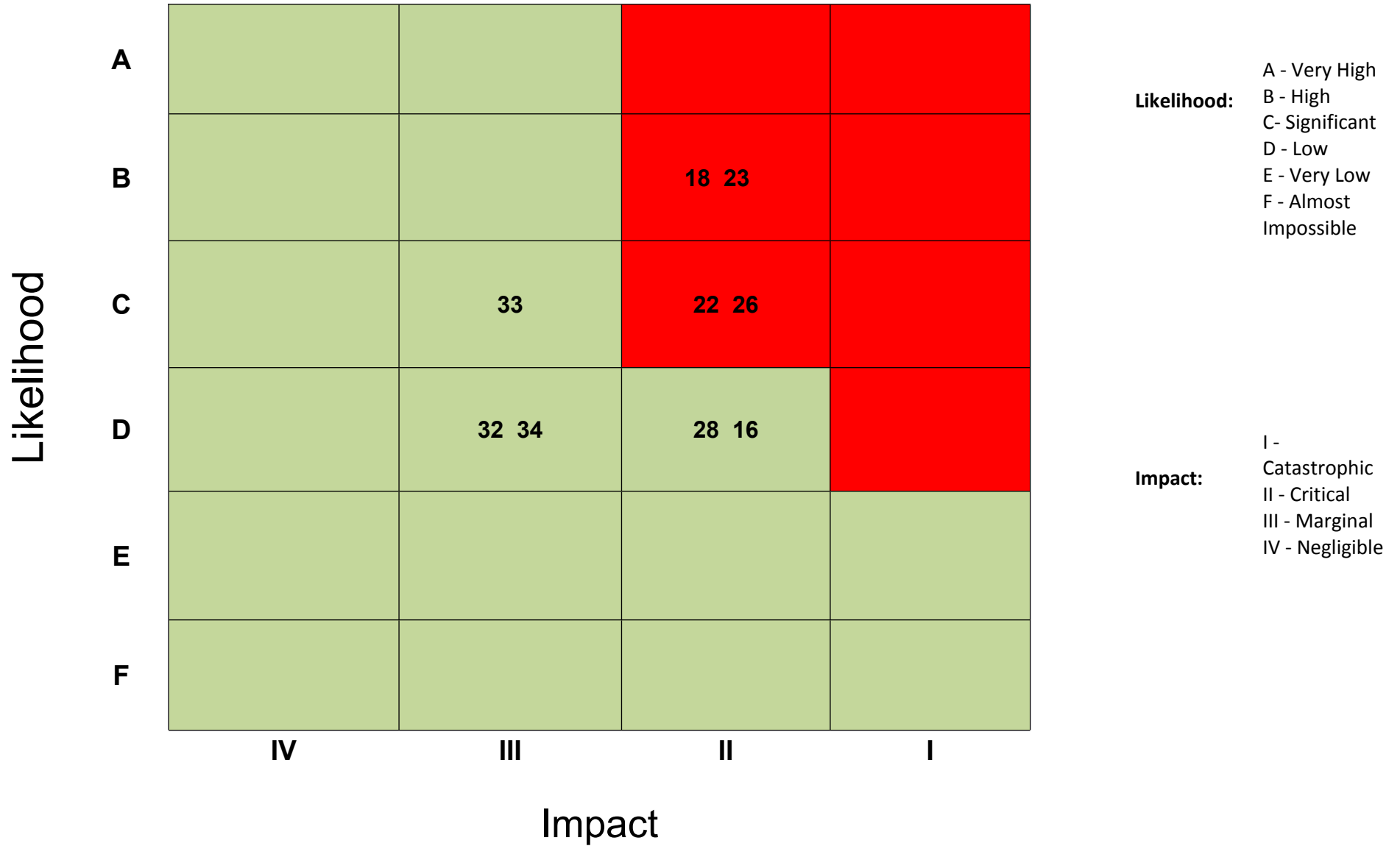
4.0. Monitoring

4.1   Reviewing or monitoring of risks is twofold. Firstly the action plans to manage the risks should be regularly monitored and secondly the risks above and below the line should be reviewed in terms of their position on the matrix. Quarterly reviews of the action plans will be completed to demonstrate that risks above the appetite are being actively managed, with a half yearly review of all risks being completed in October 2015.

5.0. Directorate operational risk registers

5.1   In accordance with the council's risk management processes, a review of the directorate operational risk registers will also be undertaken in April 2015 to review the risks currently recorded on the operational risk registers and to identify and prioritise any new risks facing each directorate in the delivery of their service plans for 2015/16.

Appendix A - Risk Profile

Likelihood	IV	III	II	I
A				
B			**18 23**	
C		**33**	**22 26**	
D		**32 34**	**28 16**	
E				
F				

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

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

Likelihood

Impact

Appendix B – Strategic risks above the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
18	Critical / High	Central Government funding post 2015/16 is insufficient to provide the current level of service provision.	Funding for 2015/16 has been announced but there are no indicative figures provided beyond this point.	• Further savings will need to be identified • The 4 year business plan may need to be reviewed in accordance with resources available • Negative impact on staff resulting from uncertainty about the future	Philippa Davies
22	Critical / Significant	The leisure review does not generate the required rate of return	The council agreed to spend significant sums redeveloping the Poulton and Thornton leisure centres to meet the needs identified in the public consultation exercise. Whilst professional external advisors have helped to specify the facility mix, the take-up is not guaranteed and the income and expenditure projections may not be achieved.	• Expenditure is higher than expected • Income falls short of the target • Efficiency savings projected are not realised	Michael Ryan

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
23	Critical / High	The efficiency programme is insufficient to meet the funding gap identified.	The council has identified a number of projects that will help to reduce the gap between expenditure and income reflected in the latest MTFP. However, further projects will be required to achieve the level of savings required.	- Additional savings / cuts in services will be required - Members trust in the Management Team and the SLT to deliver future savings will be affected - The impact of further reductions in government grants will be exacerbated	Management Team
26	Critical / Significant	Capital receipts from asset disposals are not achieved leading to insufficient funding to deliver capital projects.	Future investment will be dependent on capital receipts from the sale of council assets.	Additional savings / cuts in services will be required.	M Ryan

Appendix C - Risks below the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
16	Critical / Low	Lack of local authority service integration with General Practitioners.	A cultural change is required from treatment to prevention to successfully integrate GP and local authority services. However, there is a possibility that this will not be achieved if the clinical commissioning group is unsuccessful in convincing doctors of the benefits that Local Authority services can provide.	• The health needs of our residents are not met • There is a reduction in the support previously received via specific funding e.g. exercise by prescription • Funding is not passed down by the CCG to fund the provision of council services resulting in cuts to services
28	Critical / Low	The Local Plan is declared unsound delaying its implementation.	The Council is required to adopt a Local Plan which must be tested at an inspection prior to adoption.	• Further costs will need to be incurred • Unwanted development will be hard to defend • Legislation / guidance may change requiring the exercise to be repeated at significant cost to the taxpayer
32	Marginal / Low	There is insufficient capacity within the senior leadership team to deliver customer expectations.	The reduction in funding for local government is coupled with increasing public expectations meaning that there will be a growing gap between expectation and reality.	• Satisfaction levels with services will decline • Increased level of complaints • Staff satisfaction with Wyre as an employer will decline • Reputational issues for the Council

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
33	Marginal / Significant	The election in May results in a number of newly elected members.	There is an election in May with many of the experienced councillors announcing their intention to stand down.	• Significant investment of officer time is required to induct new members • Members become disillusioned when the role is not what was expected • Less experienced councillors involved in making complex decisions with potential legal implications e.g. planning committee • New relationships would take time to establish (officer / member)
34	Marginal / Low	There is a change in the political balance impacting on the decision making process.	Currently the council has a significant conservative majority but the elections in May could result in a shift to the political balance.	• Change in policy direction / new business plan • Increased challenge • Lack of stability

Appendix D - Risks removed from the register

Risk reference per TEN	Reason for removing from register	Risk Description	Vulnerability	Consequence
27	The loss of income has now been reflected in the MTFP and is therefore a key factor in the projected gap between expenditure and income as per risk 23.	The cost sharing agreement with LCC is ceased with effect from 2018/19 resulting in a shortfall of funding.	LCC have indicated their intention to cease the cost sharing payment at the end of the current agreement. Discussions are ongoing at the political, strategic and operational level, although there is no guarantee that the decision will be changed.	• Additional savings / cuts in services will be required.

Risk reference per TEN	Reason for removing from register	Risk Description	Vulnerability	Consequence
29	Now captured as a new project in the 2015/16 business plan.	The Shaping Your Neighbourhood project does not achieve its objectives and engage with communities with a view to re-prioritising service delivery.	The Council launched its Shaping your Neighbourhood initiative in April 2012 which set out to encourage community leadership amongst elected councillors. However, expectations of groups in the engagement framework may not be met.	• The Shaping your Neighbourhood initiative is not effective • Communities do not engage with the Council in shaping their neighbourhoods • Community needs are not captured • Services do not evolve in accordance with need • Resources are not used effectively and satisfaction with the council is reduced • The reputation of the council suffers • Alternative and competing mechanisms are developed which are not co-ordinated • Valuable member input is not harnessed
30	Leadership training for Heads of Service was delivered during 2014/15.	The leadership skills of the Heads of Service, whilst allowing them to be effective operational manager's, are not sufficiently developed to allow them to step up to	The council has recently been through an IIP assessment and a potential gap between the current role of Heads of Service and the Strategic	• Succession planning is not evidenced.

Risk reference per TEN	Reason for removing from register	Risk Description	Vulnerability	Consequence
		the more strategic roles.	Management Team has been identified.	
31	Costs are now expected to be lower than estimated allowing an element of environmental enhancement to be undertaken.	The Rossall Sea Defence project is functional with no scope for environmental enhancements.	Design changes has prompted differences of opinion regarding how costs should be met, resulting in funding allocated for environmental enhancements being utilised elsewhere.	• Environmental enhancements are not completed

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