

| <b>Report of:</b>                                  | <b>Meeting</b>  | <b>Date</b>      | <b>Item No.</b> |
|--|-----------------|------------------|-----------------|
| Corporate Director of Resources<br>(S.151 Officer) | Audit Committee | 10 November 2015 | 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 2014/15 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. Recommendation

- 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 2014/15 Annual Governance Statement are attached at Appendices 1, 2, and 3.

| <b>Financial and legal implications</b> |  |
|---|--|
| 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 by 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.

| <b>implications</b>    | <b>✓ / x</b> |
|------------------------|--------------|
| community safety       | <b>x</b>     |
| equality and diversity | <b>x</b>     |
| sustainability         | <b>x</b>     |
| health and safety      | <b>x</b>     |

| <b>risks/implications</b> | <b>✓ / x</b> |
|---------------------------|--------------|
| asset management          | <b>x</b>     |
| climate change            | <b>x</b>     |
| data protection           | <b>x</b>     |

| report author     | telephone no | email                         | date            |
|-------------------|--------------|-------------------------------|-----------------|
| Joanne Billington | 01253 887372 | Joanne.billington@wyre.gov.uk | 23 October 2015 |

| <b>List of background papers:</b> |      |                                |
|-----------------------------------|------|--------------------------------|
| 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 2014/15 - Action Plan update

### INTERNAL AUDIT PROGRESS REPORT – MAY 2015 to OCTOBER 2015

#### THE AUDIT PLAN AND DELIVERY

The Internal Audit and Risk Management Section is responsible to the Corporate Director of Resources 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 2015.

Wyre Council attends the Lancashire District Council’s Audit Group and continues to participate in the Audit Commissions 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 2015/16. 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 2015

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 2015. Lancashire Audit Services and Mazars have not yet started any of the planned work from the 2015/16 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        |                  |  |
| <b><u>Audit work from 2014/15 completed since May 2015</u></b> |                            |                                     |           |          |          |          |                  |  |
| <b>Working Together With Families</b>                          | <b>Final Report Issued</b> | <b>0</b>                            | <b>0</b>  | <b>0</b> | <b>0</b> | <b>0</b> | <b>Excellent</b> | The overall opinion of the auditor is that the controls in place to manage the funding received for the WTWF project are excellent. This means that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council / Partnership against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found. There were no recommendations made. |
| <b>Building Maintenance</b>                                    | <b>Final Report Issued</b> | <b>2</b>                            | <b>10</b> | <b>6</b> | <b>2</b> | <b>0</b> | <b>Fair</b>      | Areas have been identified where improvements could be made to strengthen the control environment, namely; <ul style="list-style-type: none"> <li>• The project management module on the Technology Forge system has not been developed;</li> <li>• Documented procedures and processes are not in place for all work undertaken by</li> </ul>   |

| TITLE | STATUS | RECOMMENDATIONS – PRIORITY RANKINGS |   |   |   |   | AUDIT OPINION | Summary   |
|-------|--------|-------------------------------------|---|---|---|---|---------------|---|
|       |        | 1                                   | 2 | 3 | 4 | 5 |               |   |
|       |        |                                     |   |   |   |   |               | <p>the Building Maintenance Team;</p> <ul style="list-style-type: none"> <li>• Departmental risk assessments are not reviewed annually and communicated to staff;</li> <li>• All job repairs are not completed in accordance with the timescales allocated;</li> <li>• A programme of planned maintenance has not been developed using the information contained in the condition surveys;</li> <li>• An inspection schedule showing the type of inspection and the due date has not been compiled;</li> <li>• A written agreement is not in place covering the inspection work undertaken by Lancashire County Council;</li> <li>• The terms and conditions of contract for the purchase of services are not signed when awarding a contract;</li> <li>• Current arrangements for the control of asbestos are not satisfactory;</li> <li>• Completed legionella inspection reports for all council buildings have not been received by the Building Maintenance Team;</li> <li>• The Civic Centre fire procedures are not routinely implemented;</li> <li>• Fixed electrical installation certificates are not held for all council properties;</li> <li>• The re-active maintenance framework agreement has not been working in accordance with the agreement;</li> <li>• Labour has not been charged in</li> </ul> |

| TITLE                               | STATUS                     | RECOMMENDATIONS – PRIORITY RANKINGS |          |          |          |          | AUDIT OPINION | Summary   |
|-------------------------------------|----------------------------|-------------------------------------|----------|----------|----------|----------|---------------|---|
|                                     |                            | 1                                   | 2        | 3        | 4        | 5        |               |   |
|                                     |                            |                                     |          |          |          |          |               | <p>accordance with the schedule of approved labour rates agreed in the reactive maintenance framework;</p> <ul style="list-style-type: none"> <li>• Goods and services are not always procured in accordance with the Financial Regulations and Financial Procedure Rules;</li> <li>• There is no interface between the Technology Forge system and the Civica purchasing system resulting in purchase orders not being raised;</li> <li>• Invoices are not approved in accordance with authorisation limits in all instances;</li> <li>• There are no procedures and processes in place to ensure compliance with the Construction (Design and Management) Regulations 2015;</li> <li>• An inspection policy has not been developed and where inspections are completed these are not documented; and</li> <li>• The annual and responsive maintenance budget was exceeded by £20,032 in 2014/15;</li> </ul> |
| <b>Street Scene - Area Officers</b> | <b>Final Report Issued</b> | <b>1</b>                            | <b>2</b> | <b>3</b> | <b>0</b> | <b>1</b> | <b>Good</b>   | <p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• Lunch breaks are not accurately recorded on the flexitime records;</li> <li>• Actions agreed at weekly briefings are not documented;</li> <li>• There was no evidence identified to</li> </ul>   |

| TITLE                                 | STATUS                     | RECOMMENDATIONS – PRIORITY RANKINGS |          |          |          |          | AUDIT OPINION | Summary   |
|---------------------------------------|----------------------------|-------------------------------------|----------|----------|----------|----------|---------------|---|
|                                       |                            | 1                                   | 2        | 3        | 4        | 5        |               |   |
|                                       |                            |                                     |          |          |          |          |               | <p>confirm that risk assessments are reviewed on an annual basis;</p> <ul style="list-style-type: none"> <li>• Spot checks of all public conveniences are not routinely completed;</li> <li>• Supervisory checks of the street cleansing and bin collection schedules are not completed every weekend;</li> <li>• The stock of Council dog microchips was found to be incorrect;</li> <li>• A record of donations made to the Dogs Trust are not recorded and in some instances are not banked promptly;</li> <li>• Procedures and processes are required to control the data collected whilst using the camera badges; and</li> <li>• No timescales have been agreed for the procurement exercise to be undertaken for the kennelling contract.</li> </ul> |
| <b><u>2015 / 16 Audit work</u></b>    |                            |                                     |          |          |          |          |               |   |
| <b>Housing Options - Homelessness</b> | <b>Final Report Issued</b> | <b>0</b>                            | <b>4</b> | <b>6</b> | <b>0</b> | <b>0</b> | <b>Good</b>   | <p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• The revised Homelessness Strategy completed in 2014 has not been formally accepted or published;</li> <li>• All of the documented procedures completed in 2009 have not been reviewed and updated;</li> <li>• Case file reviews are not signed off by a</li> </ul>   |

| TITLE   | STATUS                     | RECOMMENDATIONS – PRIORITY RANKINGS |          |          |          |          | AUDIT OPINION    | Summary  |
|---|----------------------------|-------------------------------------|----------|----------|----------|----------|------------------|--|
|   |                            | 1                                   | 2        | 3        | 4        | 5        |                  |  |
|   |                            |                                     |          |          |          |          |                  | <p>Senior Officer in all instances;</p> <ul style="list-style-type: none"> <li>• Data sharing agreements have not been established;</li> <li>• Paper and electronic files are not routinely destroyed in accordance with the storage and retention policy;</li> <li>• The phone ahead fax policy is not documented;</li> <li>• Evidence of valid fire certificates and public liability insurance has not been requested for bed and breakfast accommodation;</li> <li>• No evidence is held that the risk assessments have been communicated to staff;</li> <li>• The spreadsheets for the DHIS and Landlord incentive schemes do not accurately reflect current expenditure; and</li> <li>• Purchase orders are not raised for the goods and services requested by the Housing Options Service.</li> </ul> |
| <b>Waste Contract and Monitoring arrangements – Follow up</b> | <b>Final Report Issued</b> | <b>0</b>                            | <b>0</b> | <b>1</b> | <b>0</b> | <b>1</b> | <b>Excellent</b> | <p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• Procedures are required to control the data collected through the use of 360 degree cameras; and</li> <li>• Supervisory audits are not completed equally by the council for all rounds or</li> </ul>  |



| TITLE  | STATUS                       | RECOMMENDATIONS – PRIORITY RANKINGS |   |   |   |   | AUDIT OPINION | Summary   |
|--|------------------------------|-------------------------------------|---|---|---|---|---------------|---|
|  |                              | 1                                   | 2 | 3 | 4 | 5 |               |   |
|  |                              |                                     |   |   |   |   |               | documented in all instances.  |
| <b>Fleetwood and Poulton Market</b>                  | <b>Draft Report Issued</b>   |                                     |   |   |   |   |               | The overall objective of the audit is to examine the adequacy and effectiveness of controls in place around Fleetwood and Poulton Market. The terms of reference can be reviewed on BRIAN under the Audit and Risk Management webpages.   |
| <b>Regulation of Investigatory Powers Act (RIPA)</b> | <b>Fieldwork in progress</b> |                                     |   |   |   |   |               | The overall objective of the audit is to examine the adequacy and effectiveness of controls in place around compliance to RIPA. The terms of reference can be reviewed on BRIAN under the Audit and Risk Management webpages.   |
| <b>CCTV – Compliance with Code of Practice</b>       | <b>Fieldwork in progress</b> |                                     |   |   |   |   |               | The overall objective of the audit is to examine the adequacy and effectiveness of controls in place around compliance to the CCTV Code of Practice. The terms of reference can be reviewed on BRIAN under the Audit and Risk Management webpages.  |
| <b>Rossall Sea Defences</b>                          | <b>Fieldwork in progress</b> |                                     |   |   |   |   |               | No report will be issued for this piece of work. Fieldwork to date has included; attending project board meetings, reviewing risk registers and examining the contracts terms and conditions. It is felt that a continual review is more beneficial to the Head of Engineering allowing advice and assistance to be provided at the time it is required rather than after the event.<br><br>To date, the auditor has no major concerns that |

| TITLE | STATUS | RECOMMENDATIONS – PRIORITY RANKINGS |   |   |   |   | AUDIT OPINION | Summary  |
|-------|--------|-------------------------------------|---|---|---|---|---------------|--|
|       |        | 1                                   | 2 | 3 | 4 | 5 |               |  |
|       |        |                                     |   |   |   |   |               | <p>need to be raised with the Section 151 Officer which would have an adverse effect on the Annual Governance Statement; however at the last project board meeting it was identified that the Anchorsholme scheme has passed its contract completion date which results in the contractor incurring all expenditure on further works. The Head of Engineering and the Project Manager have been advised to monitor on-going costs to ensure expenditure is correctly attributable to the Rossall Scheme.</p> |

## **Other audits to be performed in 2015/16 (ending 31 March 2016)**

### Wyre Council Reports

- YMCA (10 days)
- Thornton Little Theatre (5 days)
- E-Benefit System (5 days)
- Private Sector Housing – Grants and Enforcement (10 days)
- Compliance to Anti-social Behaviour, Crime and Policing Act 2014 (10 days)

### LCC Reports

- Debtors, Creditors and Budgetary Control (20 days)
- Treasury Management (10 days)
- Housing benefit Overpayments (5 days)

### Mazars Reports

- Follow up work from 2014/15 Audit Plan (10 days)
- Development Control (10 days)
- Care and Repair (10 days)

### Changes to the 2015/16 Audit Plan

The Audit Plan for 2015/16 has been amended to allow the Senior Auditor to carry out 45 days' work on completing the actions reported following the Information Governance audit in January 2015. The following audits have been rolled to 2016/17 to allow work to commence;

- Compliance to Financial Regulations
- Committee Reports – Implications and Reporting Deadlines
- Compliance to Public Internal Audit Standards.

## **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 have been no whistleblowing calls during 2015/16 that have required internal audit investigation.

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

Data has been uploaded to the Audit Commissions secure data matching system. The matches were realised in January 2015 and officers are in the process reviewing the matches identified. A report will be produced once the outcomes of the data matching exercise have been completed.

## 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 Audit Committee in May 2014 and by the Monitoring Officer in December 2014.

A reminder has been placed in Novembers Core Brief, reiterating to staff the importance of declaring all gifts and hospitality received and that there is now an on-line form on BRIAN to facilitate the reporting process. Since April 2015 there has 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. All new starters are required to complete and pass the course within four weeks of their start date. It has now been rolled out to all new members; however there are still x long-standing members who have yet to complete the training package.

As detailed above, work is about to commence in implementing the actions highlighted in Lancashire Audit Services report on the Council's Information Governance framework. 45 audit days has been allocated to implement information asset registers. The registers will show the data's classification, the asset owner and also the storage and retention requirements.

## Follow-up Reviews

Mazars have been commissioned to carry out an annual follow-up review of all recommendations made during the audit year. A sample of recommendations (Level 1-3) are selected at random and officers are contacted to seek assurance that they have been implemented.

## Security Sweeps

A security sweep of the Civic Centre was carried out in October 2015. 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 councils counter fraud policies are reviewed annually in November and are approved by the Audit Committee. A refresher exercise will be completed before March 2016 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 polices 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 29 October 2015 and the results will be reported verbally to the Audit Committee.

The next strategic risk workshop will be held on the 7 March 2016.

**ANNUAL GOVERNANCE STATEMENT 2014/15 – ACTION PLAN UPDATE**

| <b>Governance Issues</b>      | <b>Risk Rating</b> | <b>Year relating to</b> | <b>Actions</b>  | <b>Responsible Officer</b> | <b>Position at October 2015</b>   |
|-------------------------------|--------------------|-------------------------|---|----------------------------|---|
| <b>Information Governance</b> | Medium             | 2014/15                 | A review of the Council's Information Governance procedures in January 2015 highlighted that the Council does not hold a data asset register. Whilst the Council is in the process of identifying all of its data assets (both electronic and paper) for the purpose of the corporate retention schedules, the audit advised that the retention schedules are modified to include a data classification scheme and named data asset owners. | J Billington               | 45 days have been assigned to modify the format of the current retention schedules and then roll out to all services. Once an asset classification scheme has been identified, the Senior Auditor will attend HOS team briefs to identify asset owners.   |
|                               | Medium             | 2013/14                 | Elected Members, as data Controllers in their own rights, need to understand and comply with the 8 data protection principles. The FOCUS on information Security eLearning test will be rolled out to all members, each member will be asked to register as a Data Controller with the Information Commissioner and postcards will be issued to members making simple the key points to Data Protection.                                    | J Billington               | There are still a number of elected members that have yet to complete the data security training. The licence for the FOCUS training package has now expired, however a new training tool has been sourced from the Civil Service. This will now be used for all members who have not yet completed any training. |
| <b>Health &amp; Safety</b>    | High               | 2014/15                 | In October 2014 the Health and Safety Advisor identified a number of weaknesses in respect of the management of asbestos. An action plan to address the weaknesses was drawn up, however a review in March 2015 identified that the necessary action had not been taken. It was agreed following an internal audit in July 2015 that the current asbestos register for each building will be reviewed and updated and                       | M Blundy / J Holden        | The Building Maintenance Team (BMT) are continuing to use the existing asbestos risk assessments. Risk assessments have been commissioned from LCC for all buildings that the council operates.   |

### Appendix 3

|                            |        |         |  |            |   |
|----------------------------|--------|---------|--|------------|---|
|                            |        |         | the Managers of each building will be informed of the procedures to be completed.  |            | Following completion of the new risk assessments the asbestos registers will be updated and revised procedures to building managers will be rolled out. Asbestos training has also been completed by the BMT in October 2015. |
| <b>Democratic Services</b> | Medium | 2014/15 | The interim arrangement with Blackpool and Fylde in relation to the Council's Independent Person has been terminated. New arrangements will need to be made. | R.Saunders | A new Independent Person has been appointed at Wyre and an agreement to share the Independent Person at South Ribble is now in place.   |

arm/audit/cr/15/1011jb1