Report of:	Meeting	Date
Head of Finance (Section 151 Officer)	Audit Committee	19 November 2019

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 2018/19 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 2018/19 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. To date no audit days have been supplied by Lancashire Audit services. However the budget remains in place in case additional support is needed in quarter four of 2019/20 .
Legal	Effective audit and risk management assist in good governance and probity of council actions.

Other risks / implications: checklist

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

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

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
Data Protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

report author	telephone no.	email	date
Joanne Billington	01253 887372	Joanne.billington@wyre.gov.uk	1.11.2019

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

<u>List of appendices</u>

Appendix 1 – Internal Audit Progress Report

Appendix 2 – Risk Management Progress Report

Appendix 3 – Annual Governance Statement 2018/19 - Action Plan update

INTERNAL AUDIT PROGRESS REPORT – MAY 2019 to NOVEMBER 2019

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 both terms and reference and internal audit reports are published on the council's Intranet. Access to the supporting files is available to Members of the Audit Committee on request. The table overleaf summarises audit work performed since the last progress reported on the 28 May 2019.

Wyre Council attends the Lancashire District Council's Audit Group and continues to participate in the Cabinet 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.

Whilst the council has an annual contract with Lancashire Audit Services (LAS) at a rate of £365 per day, no audit days have yet to be allocated for 2019/20, however regular consultation takes places to ensure we continue to benefit from their wealth of experience and extensive client base. It is also anticipated that the council may require the services of Merseyside Internal Audit Services to carry out the compliance to GDPR audit that is scheduled to take place in 2019/20. MIAA are contracted under the LAS ICT audit contract to assist the Districts in the completion of ICT and any other specialist audit work.

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 November 2019

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 2019.

Wyre Council Reports

AUDIT OPINION DEFINITIONS	
Excellent	Controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council / Partnership against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.
Good	Controls exist to enable the achievement of service objectives, good corporate governance and reduce significant foreseeable risks. However, occasionally instances of failure to comply with the control process were identified and opportunities still exist to reduce potential risks.
Fair	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and leave the Council / Partnership exposed to some minor risk. There is therefore the need to introduce some additional controls and improve compliance with existing controls to reduce the risk to the Council / Partnership.
Weak	Controls are considered inefficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Council / Partnership open to significant risk, which could lead to major financial loss, embarrassment or failure to deliver service objectives.
Poor	Controls are generally weak or non-existent leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore unmanaged.

DEFINITION OF PRIORITY RANKINGS		
Level 1	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which could have a material effect on the Council's finances or, a lack of or serious weakness in key control(s) which may impact on the Council's finances or operational performance.	Immediate Action Required
Level 2	Non-compliance with Financial Regulations and Financial Procedures Rules, Employees Code of Conduct, staff instructions etc. which have a minor effect on the Council's finances or operational performance.	Within 3 months
Level 3	A lack of, or weakness in an internal control which does not pose an immediate high level of risk, but if left unresolved could expose the Council to financial losses or reduce operational performance.	Within 6 months
Level 4	Suggestions for improvement of internal controls of a minor nature.	Within 9 months
Level 5	Suggestions for improvements, efficiencies in service delivery.	None

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Audit work from 2018/19 completed since May 2019								
Car Parking – New Machines	**Final Report Issued September 2019**	0	0	2	0	0	**Good**	Two areas have been identified where improvements could be made to strengthen the control environment, namely; • Ensuring a record of the instances were there has been a coin blockage in the machines; and • There are no contingencies in place to cover the absence of the Engineering Technical Support Officer who is responsible for reviewing the monitoring reports and carrying out investigations into any discrepancies.
Critiqom Mail Services	**Final Report Issued October 2019**	1	1	1	0	0	**Fair**	Areas have been identified where improvements could be made to strengthen the control environment, namely; • A privacy impact assessment had not been completed prior to the start of the contract; • Periodic inspections of the security controls / processes at Critiqom are not completed; and • Critiqom has not been implemented for hybrid mail across the council.
Marine Hall	**No Report Issued**	N/A	N/A	N/A	N/A	N/A	**Fair**	The Senior Auditor continues to work with the Commercial Manager (CM) and the Marine Hall Team to work towards implementing the agreed actions and to monitor continued compliance. A visit to the Marine Hall on the 29 October 2019 to review the progress of completed actions, identified that work is continuing to improve controls and processes. The action plan was updated and agreed with the CM and this will be circulated at the Committee meeting and a verbal update provided.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								Further visits have been timetabled for January and March 2020.
Health and Safety	**Position Statement completed**	N/A	N/A	N/A	N/A	N/A		In May 2014 a review of the council's Health and Safety arrangements was completed and an overall opinion of 'Fair' was given. In accordance with Internal Audits follow-up procedures, Lancashire County Council followed up all priority 1 and 2 recommendations in November 2014 and it was identified that progress was being made but agreed implementation dates had not been reached. However assurance was given that sufficient action was being taken and actions would be completed in the agreed timescales. Following a number of reviews completed across the authority over the last 12 months, i.e. Marine Hall and Building Maintenance it was identified that there were a number of similar health and safety risks that were being highlighted, therefore it was agreed that instead of completing a full audit, the original report completed in May 2014 would be re-visited and a position statement completed. The position statement was updated and agreed with the Head of Business Support and the Health and Safety Advisor and this will be circulated at the Committee and a verbal update provided. It should be noted that since completing the work, the Health and Safety Advisor announced that she was leaving the authority in December 2019. In light of this, a further review will be added to the 2020/21 audit plan.
Building Maintenance	**Final Report Issued**	2	6	7	0	1	Fair	Areas have been identified where improvements could be made to strengthen the control environment, namely;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
	November 2019							- The capability of the asset management module in the Civica system should be explored to identify any savings / efficiencies compared to the Technology Forge system; - Current processes and procedures are not consistently used by all members of the Building Maintenance Team; - Evidence that risk assessments have been communicated to staff are not held; - A review of all outstanding job orders is required to establish if these have or have not been completed; - Completion of the 2019 condition surveys have not yet commenced; - Non-urgent repairs funded through the revenue budget are not discussed with the Head of Finance and repairs identified in 2018/19 have not been completed in all instances; - The completion date of all statutory inspections could not be verified due to the absence of key staff; - Asbestos surveys are outstanding for a number of kiosks and pavilions and staff training on the management and monitoring of asbestos is still required; - The 2016 legionella risk assessment is not held on site at a number of buildings and evidence of the 2018 annual review could not be located in all instances; - Contractual agreements are not in place for all framework contractors or evidence of their insurances held; - Labour rates are not quoted on all invoices issued by framework contractors; - Compliance with the framework terms and conditions for the procurement of non-urgent works valued between £3,000 to £10,000

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								could not be established; • The completion rate of the feedback form to monitor the performance of the framework contractors could not be confirmed due to the absence of key staff; • Contractors are not adequately monitored by the council whilst completing work for the council; and • Repairs arising from the inspection of fixed electrical installations are not completed in a timely manner in all instances.
2019/20 Audit work								
Fleetwood Ferry	**Draft Report Issued**							The overall objective of the audit is to review the controls in place around the management of the Fleetwood Ferry to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.
Inspection Regimes – External Contractors	**Fieldwork in progress**							The overall objective of the audit is to review the controls in place around the management of external contractors to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively. It should be noted that the external contractors managed by the Building Maintenance team was covered as part of the building maintenance review.
Inspection Regimes – Site Inspections	**Fieldwork in progress**							The overall objective of the audit is to review the controls in place around the council's site inspection regimes and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Wyre Community Lottery	**Fieldwork in progress**							The overall objective of the audit is to review the controls in place around the forthcoming Community Lottery and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.
Grant Management	**Fieldwork in progress**							The overall objective of the audit is to review the controls in place to manage grant funding where the council have accountable body responsibilities and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively.

Outstanding Audit's to be completed in 2019/20 (ending 31 March 2020)

- FOI / EIR – Changes to legislations
- Civica Pay (replaces Go cardless)
- Citizens' Access Portal
- Street Cleansing
- Finance – Assurance of segregation of duties and resources capacity
- Waste Management – Contract renewal
- Better Care Fund
- Disaster Recovery (this depends on the finalisation of the draft disaster recovery plan)
- Beach Management Scheme
- Council Tax – Recovery policy and procedures
- Planning – Local Authority education contributions

It should be noted that due to the training and mentoring of the new Insurance and Business Continuity Officer, work has been significantly delayed. Although, outstanding audits have now been scheduled and it is hoped that they can all be at least started in this financial year, this will be kept under review on a regular basis and a decision made whether an external provider is required to assist with the completion of this work.

Other audit work undertaken during the year 2019/20

National Fraud Initiative – Cabinet Office data matching exercise

Following the upload of data earlier in the year, a number of officers have been involved in investigating the released matches. A further upload to the NFI site is required in respect of Single Person Discounts in December 2019, with the results of the matches being released in January 2020. The results of both data matching exercises will be reported to Audit Committee in Summer 2020.

Information Governance - Compliance with the Data Protection Act 2018 and GDPR

The Council's Data Protection Officer (DPO) and Deputy DPO continue to work to ensure the Council is compliant with the Data Protection Act 2018 (the Act) and the enshrined General Data Protection Regulations (GDPR) which came into force in May 2018. The DPO reports quarterly to the Corporate Management Team, with the last update being on the 7 August 2019.

Since the last report to the Committee in May 2019 the DPO has refreshed the Data Protection Policy and Procedure, which will be presented to the Audit Committee for approval at its November meeting and also wrote and issued guidance for Members on their role as a Data Controller. A Privacy notice was also included to assist them in explaining to their constituents how they may use personal data to carry out their roles as Elected Members. Further training is scheduled to take place in July 2020 by the external trainer '2040'.

Work is still on-going in the following areas;

- Ensuring data sharing agreements are in place across the organsiation where personal data is shared externally;
- Continue to reviewed the council's contracts (which involve personal data) to ensure they are compliant;
- Updating the council's Intranet to ensure staff and Members have the correct advice and guidance to assist them in responding to FOI's / EIR's, Subject Access Requests Act and that they are correctly signposted in respect of the Data Protection Act 2018 and the enshrined GDPR; and
- Completion of a GDPR compliance Audit. This was scheduled in the 2019/20 Internal Audit Plan. However owing to staffing capacity issues, this will now be delivered by an external provider.

Anti-Fraud and Corruption

All the council's counter fraud policies are reviewed annually by the Audit Committee. They are located on BRIAN to allow staff and Elected Members easy access. The council has four counter fraud policies, namely;

- Counter Fraud, Corruption and Bribery;
- Anti-Money Laundering
- Gifts, Hospitality and Registering Interests, and
- Whistleblowing.

Anti-Money Laundering - To date, there has been no reports of suspected money laundering during 2019/20. An additional piece of work to ensure the findings identified at the last review in January 2017 has now been completed. All recommendations have been implemented where necessary.

Gifts, Hospitality and Registering Interests - Since April 2019 there have only been three declarations made by council officers receiving gifts and hospitality. This is a significant reduction compared to the previous year. A reminder will be placed on BRIAN in December, reiterating to staff the importance of declaring all gifts and hospitality received and that there is an on-line form to facilitate the reporting process. The register was last examined by the Monitoring Officer in September 2019 and was presented to the Audit Committee at the November meeting.

Whistleblowing / Investigations - There have been no whistleblowing calls during 2019/20 that have required internal audit investigation.

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. 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.

Risk workshops are held in February 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.

To assist the production of the internal audit plan, operational risk workshops for each Directorate will be held during February 2020, following the strategic risk workshop.

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

Strategic Risks

The Corporate Management Team (CMT) met on the 1 February 2019 to carry out the annual strategic workshop. The results of the workshop were presented to the Committee at its meeting in May 2019. Strategic risks and any subsequent actions are reviewed every quarter by CMT. Any changes to the ratings are documented and supported by a valid reason and sufficient evidence. The last quarterly update was carried out on the 16 October 2019. The results of this review will be reported verbally to the Audit Committee at its November meeting.

The next strategic risk workshop will be held on the 10 February 2020.

Brexit Risks

In preparedness for the UK leaving the European Union, the council has populated a BREXIT risks register which is reviewed on a regular basis following updates from Central Government, CMT and Head of Services. The BREXIT register can be found on BRIAN by following this link http://intranet/services/Brexit/SitePages/Home.aspx

ICT Risks

In 2017, SOCITM carried out an independent review of the council's ICT Service. A number of high level recommendations were made to improve the delivery of the service, one being the identification and compilation of an ICT risk register. This was completed in January 2018 and is reviewed quarterly by the Service Director Performance and Innovation, Head of Business Support and the Senior Auditor. The last review was completed on the 18 October 2019 and a verbal update and a copy of the register will be provided at the meeting.

2018/19 ANNUAL GOVERNANCE STATEMENT ACTION PLAN FOR IMPLMENTATION IN 2018/19 – POSITION AT NOVEMBER 2019

Governance Issue	Finding	Action required	Timescales / Officer Responsible	Update as at November 2019
Information Governance	The council continues to work towards ensuring full compliance with the changes to the Data Protection Act and the GDPR. Whilst significant work has been completed in respect of contracts, data subject rights and privacy, further work is still required in respect of data sharing and validation of the Council's information asset registers.	The Data Protection Officer will continue to work with officers across the council to identify areas where data is shared externally. In addition, the Internal Audit Team will continue to review information asset registers to ensure they are accurate and up to date and can be used in the event of a data subject access request.	Data Protection Officer (DPO) On-going	Work is still being completed in all the areas identified as requiring attention. A GDPR compliance audit has been included in the 2019/20 audit plan. It is expected that this will be completed by an external provider under the Lancashire County Council, ICT audit framework.
Council's Constitution	Following the completion of the Constitutional review by ADSO, a number of suggested changes have been made. The changes are expected to be presented to full Council in Autumn 2019.	The suggested changes to the constitution will be submitted to full Council in Autumn 2019. Further training will be provided if deemed necessary.	Corporate Management Team / Democratic Services Team Autumn 2019	The suggested changes to the constitution will be submitted to full Council in November 2019. Further training will be provided if deemed necessary. **Completed**
Social Value	The Council's Financial Regulations and Financial Procedural Rules make reference to the consideration of Social Value, however there is an uncertainty if further documented guidance is required.	A review of the Financial Regulation's and Financial Procedural Rules will be carried out in November 2019 and 'Social Value' will be considered in more detail.	Section 151 Officer / Head of Governance Procurement Officer November 2019	The financial Regulations and Financial Procedural Riles have now been updated to ensure 'social value' is considered during the procurement of any goods and services.

Governance Issue	Finding	Action required	Timescales / Officer Responsible	Update as at November 2019
				Completed
ICT	The council has recently entered into an 18 month contract with a training provider; QA who specialise in ICT, management and project management training. It has recently been identified that QA want the council to spend the allocated training budget by October 2019, however there is a concern that this will not be possible given the staffing capacity issues within the ICT team at present.	The ICT Service Delivery Lead will liaise with QA to negotiate an extension to the October deadline. In the short term, an email will be circulated to all Heads of Service to try and identify if any training is required across the organsiation to ensure the council receives value for money from the QA contract.	Service Director of Performance and Innovation / ICT	Training has been organised for all members of the ICT team and a further Cyber Security Awareness training day for "Cyber Security Champions" took place on the 17 October 2019. In addition, other staff across the organisation have also benefited from this training, e.g. the Senior Auditor was able to complete a Practionioner qualification in the General Data Protection Regulations. All of the training fund has now been spent. **Completed**
Independent Remuneration Panel	Statutory requirements are in place requiring that at least three independent people form a panel to review the Council's members allowance scheme. Following a resignation, the current panel only has two members.	Information will be placed on BRIAN about the vacancy on the IRP panel asking for officers to recommend or identify possible expression of interests.	Democratic Services Manager Immediately	Two new members have now been identified. A report to full Council will confirm their appointment in November 2019. **Completed**
Staffing Capacity	The Council has recently had difficulty recruiting and retaining staff to key roles throughout the organisation.	Benchmarking will be carried out with other Local Authorities to identify any	Head of Business Support	Benchmarking at CMT level has been completed and this has resulted in a re-structure.

Governance Issue	Finding	Action required	Timescales / Officer Responsible	Update as at November 2019
		significant differences between a sample of key roles across the organisation.	TBC	Discussion at the strategic HR group have identified that recruitment and retention of staff is proven to be an issue across Lancashire. A future piece of work in relation to benchmarking key roles across the organisation has yet to be completed.
Members Code of Conduct	Following a recent review of the Members' Code of Conduct a number of changes have been suggested which have been agreed by the Standards Committee in March 2019. The suggested changes are expected to be presented to full Council in July 2019.	The Members Code of Conduct will be reviewed by full Council in July 2019. Once agreed, the Code will be rolled out to all Members and further training will be provided by the Monitoring Officer if deemed necessary.	Monitoring Officer & Democratic Services Manager July 2019	The Members Code of Conduct was approved at full Council in July 2019. Following the approval of the changes to the Constitution in November 2019, training will be provided to Members. It should be noted that all new Members have already received a comprehensive member induction programme.
Ethical Governance	The Council has recently conducted an Ethical Governance Survey to ensure officers know and understand the council's key policies and procedures around expected behaviours. A report on the findings is due to be issued in July 2019. It is suggested that the survey also be rolled out to Members. The last	An ethical governance survey will be carried for members once the new members have completed their induction programme and had time to familiarise themselves with the Council and its procedures.	Head of Governance Estimate - December 2019	The results of the staff ethical governance survey was published on BRIAN in November 2019. Elected Members will be invited to complete the same survey in early 2020 with the results being published

Governance Issue	Finding	Action required	Timescales / Officer Responsible	Update as at November 2019
	survey was completed several years ago.			shortly after.
ICT Disaster Recovery Plan	Whilst an ICT disaster recovery plan has recently been drafted, this has yet to be finalised.	The Disaster Recovery Plan needs to be finalised and rolled out as soon as possible.	Service Director Performance and Innovation / ICT Immediate	This is currently a work in progress and discussions surrounding hosting of an offsite infrastructure is ongoing (Microsoft cloud, VMware, other private sector organisations). A formal infrastructure start up / shutdown document is also being produced which will feed into the larger ICT disaster recovery plan.
Business Continuity (BC)	Whilst the Council has a number of BC plans in place across a number of services, and contacts numbers are reviewed on a regular basis, a review of the content has not been completed for some time. In addition, the majority of plans have not been tested for many years.	All BC plans will be reviewed and tested were appropriate as soon as possible, however it should be noted that this will be an on-going process and the services that are classed as having 'critical services' which need to be up and running within 24, 48 hrs will be targeted first.	Head of Governance On-going	The council's recently appointed Insurance and Business Continuity Officer is currently in the process of reviewing the BC Policy and Strategy and analysing the council's service criticalities. This will assist in targeting BC plans for review and refresh. This will now be managed and monitored through the Governance Service Plan. **Moved to Service Plan.**