

| Report of:         | Meeting         | Date         | Item no. |
|--------------------|-----------------|--------------|----------|
| Head of Governance | Audit Committee | 16 June 2020 | 5        |

## INTERNAL AUDIT ANNUAL REPORT 2019/20

### 1. Purpose of report

- 1.1 To consider the Internal Audit Annual Report for 2019/20 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 consider the Internal Audit Annual Report attached at Appendix 1, the Risk Management Progress Report at Appendix 2 and the Strategic Risk 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. The report 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, Risk Management progress report and Strategic Risk review 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.

| 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     |

| report author     | telephone no. | email  | date       |
|-------------------|---------------|--|------------|
| Joanne Billington | 01253 887372  | <a href="mailto:Joanne.billington@wyre.gov.uk">Joanne.billington@wyre.gov.uk</a> | 27.05.2020 |

x

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

### List of appendices

Appendix 1 – Internal Audit Annual Report 2019/20

Appendix 2 – Risk Management Progress Report – Operational, Strategic BREXIT and ICT Risks

Appendix 3 – Strategic Risk Review

### **INTERNAL AUDIT ANNUAL REPORT 2019/20**

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

Following work carried out around operational assurance mapping, there was no requirement to utilise the best value partnership in place with Lancashire County Council during 2019/20. However, a rolling 12 month contract will be maintained to ensure the necessary contingencies are in place should LCC’s services be required in 2020/21. All the audit work completed in 2019/20 has been completed by the in-house Senior Auditor. Internal audit work is benchmarked where possible 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. In 2019/20 the feedback received indicated that auditees value the work of internal audit and that the Internal Audit service continues to be highly regarded across the organisation.

The audit plan for 2019/20 comprised a total of 17 audit reviews. Eight pieces of work have been completed successfully within the agreed number of days and within budget. Three pieces of work have still be finalised.

Owing to Covid-19 pandemic and the Senior Auditor providing cover and then training and mentoring the new Insurance Officer from July 2019, six pieces of work have not been completed (see table below). A risk assessment will be completed by the Head of Governance to decide which pieces of work from the 2019/20 plan will still need to be completed and therefore rolled to the 2020/21 audit plan. This may mean that a number of pieces of work from the 2020/21 audit plan (already approved by the Audit Committee in February 2020) may have to slip to the 2021/22 audit plan and others may not be carried out. In addition, there may be a number of other pieces of work that may also need to be included to cover ‘Covid-19 related activities’, for example on grant payments made to businesses across the borough.

## Audit Work Performed in 2019 / 2020

Summarised below are the reviews that have completed in 2019/20. Final reports are published in full on the council's intranet site.

### 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 <u>material effect</u> 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 <u>minor effect</u> 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        |               |  |
| <b>Fleetwood Ferry</b>                           | <b>Final Report Issued</b><br><br><b>November 2019</b> | <b>0</b>                            | <b>5</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>Fair</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>• Evidence of the annual inspections carried out by the council to verify compliance with the conditions of service could not be located;</li> <li>• Details of the dredging carried out by the contractor since September 2018 has not been received;</li> <li>• Attendance by Members at the meetings of the FSWG has been difficult to obtain and bi-annual meetings have not taken place;</li> <li>• No financial information or details of the maintenance and repairs to the ferry vessel have been requested from the contractor and considered by the FSWG; and</li> <li>• Information regarding complaints / compliments and publicity campaigns have not been obtained and reviewed by the FSWG.</li> </ul> |
| <b>Inspection Regimes – External Contractors</b> | <b>Final Report Issued</b><br><br><b>May 2020</b>      | <b>0</b>                            | <b>4</b> | <b>0</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>• Training for staff responsible for managing external contractors has not been completed since 2017;</li> </ul>  |

| TITLE | STATUS | RECOMMENDATIONS –<br>PRIORITY RANKINGS |   |   |   |   | AUDIT<br>OPINION | Summary  |
|-------|--------|--|---|---|---|---|------------------|--|
|       |        | 1                                      | 2 | 3 | 4 | 5 |                  |  |
|       |        |  |   |   |   |   |                  | <ul style="list-style-type: none"> <li>• An assessment of the likely risks to the contractor, staff and the public is not completed by the council and communicated to the contractors during the procurement stage of the contracted works in all instances;</li> <li>• Evidence of the contractors risk assessments and safe working procedures are not requested prior to the start of the contracted works in all instances; and</li> <li>• Documented inspections of the work being undertaken are not completed in all instances.</li> </ul> |

| TITLE            | STATUS                              | RECOMMENDATIONS – PRIORITY RANKINGS |   |   |   |   | AUDIT OPINION | Summary  |
|------------------|-------------------------------------|-------------------------------------|---|---|---|---|---------------|--|
|                  |                                     | 1                                   | 2 | 3 | 4 | 5 |               |  |
| Street Cleansing | Final Report Issued<br><br>May 2020 | 0                                   | 6 | 0 | 0 | 0 | Good          | <p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> <li>• The 2019 staff appraisals are still outstanding for a number of staff;</li> <li>• An annual review of the risk assessments compiled for team has not been completed in 2019 and communicated to staff;</li> <li>• Ad-hoc sheets are not routinely completed by all sweeper drivers to report any changes / delays to the street cleansing schedule allocated to them;</li> <li>• Supervisor checks are not consistently completed covering both the sweepers and bin collections / litter picking rounds;</li> <li>• CRM reports are not raised for areas classified C or D following completion of the NI 195 survey; and</li> <li>• Council response times for street cleansing requests do not comply with those set out in the Code of Practice.</li> </ul> |

| TITLE   | STATUS   | RECOMMENDATIONS – PRIORITY RANKINGS |          |          |          |          | AUDIT OPINION    | Summary   |
|---|--|-------------------------------------|----------|----------|----------|----------|------------------|---|
|   |  | 1                                   | 2        | 3        | 4        | 5        |                  |   |
| <b>Waste Management – contract renewal</b>                | <b>Final Report Issued</b><br><br><b>June 2020</b> | <b>0</b>                            | <b>1</b> | <b>1</b> | <b>0</b> | <b>0</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>• The lease agreement for the Copse Road Depot has still to be finalised; and</li> <li>• Quarterly meetings of the Service Development Board have not been held since May 2019.</li> </ul> |
| <b>Inspection Regimes – Site Inspections</b>              | <b>Draft report issued</b>                         |                                     |          |          |          |          |                  | The overall objective of the audit is to review the controls in place around the management of 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.   |
| <b>Grant Management</b>                                   | <b>Fieldwork in progress</b>                       |                                     |          |          |          |          |                  | 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.                     |
| <b>Planning – Local Authority Education Contributions</b> | <b>Fieldwork in progress</b>                       |                                     |          |          |          |          |                  | The overall objective of the audit is to review the controls in place to manage Local Authority Education Contributions in relation to planning applications and to identify any  |

| TITLE            | STATUS                  | RECOMMENDATIONS – PRIORITY RANKINGS |            |            |            |            | AUDIT OPINION | Summary   |
|------------------|-------------------------|-------------------------------------|------------|------------|------------|------------|---------------|---|
|                  |                         | 1                                   | 2          | 3          | 4          | 5          |               |   |
|                  |                         |                                     |            |            |            |            |               | areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are managed adequately and effectively. This is a joint piece of work with Lancaster City Council.   |
| <b>FOI / EIR</b> | <b>No report Issued</b> | <b>N/A</b>                          | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>Good</b>   | <p>This piece of work was added to the 2019/20 audit plan as it was expected that legislation due to be reviewed in early 2019 may have an impact on how FOI's/EIRs were processed. However, it is understood from the Head of Legal that the legislation changes were not approved, therefore no further assurance work was required. However it was agreed that refresher training was required to ensure members of staff are consistently applying the current legislation requirements when processing FOI's / EIR's. Therefore, training was arranged for the 14 May with '2040 Ltd, however as a result of the Covid-19 epidemic this was postponed. A date has yet to be arranged.</p> <p>Additional work was completed to ensure the council is making use of 'data sets' to ensure the council is not responding to repeat requests in certain areas. Testing identified that data sets are used where possible and the FOI team monitor this on an on-going basis.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of 'good' is appropriate</p> |

| TITLE                         | STATUS                  | RECOMMENDATIONS – PRIORITY RANKINGS |            |            |            |            | AUDIT OPINION | Summary  |
|-------------------------------|-------------------------|-------------------------------------|------------|------------|------------|------------|---------------|--|
|                               |                         | 1                                   | 2          | 3          | 4          | 5          |               |  |
|                               |                         |                                     |            |            |            |            |               | given that the council is still considered to be complying with FOI/EIR legislation and further refresher training has been arranged for later in the year.  |
| <b>Wyre Community Lottery</b> | <b>No Report Issued</b> | <b>N/A</b>                          | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>N/A</b> | <b>Good</b>   | <p>A piece of work was completed prior to the start of the launch of Wyre Community Lottery to give assurance in the following areas;</p> <ul style="list-style-type: none"> <li>• Contract and application process;</li> <li>• Licensing and funding arrangements;</li> <li>• Website and marketing; and</li> <li>• Compliance with GDPR.</li> </ul> <p>An action plan was formulated in December 2019 and it was confirmed in March 2020 that all actions raised have been addressed. It has been agreed with the Corporate Director Resources that a further piece of assurance work will be completed later in the year when a number of draws have been completed to ensure all parties are adhering to contractual arrangements.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of ‘good’ is appropriate given that all the actions identified prior to the start of the lottery have been implemented. However, in order to give the area of work an ‘excellent’ overall opinion, further assurance is still required as above.</p> |

| TITLE  | STATUS                  | RECOMMENDATIONS – PRIORITY RANKINGS |     |     |     |     | AUDIT OPINION | Summary  |
|--|-------------------------|-------------------------------------|-----|-----|-----|-----|---------------|--|
|  |                         | 1                                   | 2   | 3   | 4   | 5   |               |  |
| <b>Finance – Assurance of segregation of duties and resources capacity</b> | <b>No Report Issued</b> | N/A                                 | N/A | N/A | N/A | N/A | <b>Good</b>   | <p>The Corporate Director Resources requested that a risk workshop be facilitated by the Head of Governance and the Senior Auditor with the Finance Team to identify any operational risks or pressure points that have or may arise given recent staff turnover and if any additional controls are required whilst the team gets back to full capacity.</p> <p>Two workshops were held in March 2020 in which all staff participated in identifying risks and pressure points. A comprehensive list of required actions and gaps in resourcing was identified and addressed accordingly.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of ‘good’ is appropriate given that the Finance Team have been proactive in identifying current and future risks and have put in place further controls or resources to address any shortfalls or weaknesses. Whilst the authorised signatory list was reviewed at the time of the workshops and was considered accurate, it is acknowledged that changes in staffing are to follow. This includes two members of the team who left in 2019/20 and have since been reappointed and will return in June/July. It is recommended that the new Head of Service (to start 15 June) holds a similar workshop in the first three months of their employment to review and re-assign roles and</p> |

| TITLE                          | STATUS                  | RECOMMENDATIONS – PRIORITY RANKINGS |     |     |     |     | AUDIT OPINION | Summary   |
|--------------------------------|-------------------------|-------------------------------------|-----|-----|-----|-----|---------------|---|
|                                |                         | 1                                   | 2   | 3   | 4   | 5   |               |   |
|                                |                         |                                     |     |     |     |     |               | responsibilities, following which the authorised signatory list can then be updated.  |
| <b>Marine Hall</b>             | <b>No Report Issued</b> | N/A                                 | N/A | N/A | N/A | N/A | <b>Good</b>   | <p>Up until December 2019, the Senior Auditor was carrying out quarterly reviews of the Marine Hall to monitor the progress made in addressing the recommendations made in the 2017/18 audit review. At the last review, it was reported that good progress was being made and that the majority of actions had been implemented or work was in progress. The review in March 2020 was postponed owing to the Covid-19 epidemic. Once staff resume normal duties, quarterly reviews will continue.</p> <p>For the purpose of this Annual Audit Report, an overall opinion of ‘good’ is appropriate given that the majority of recommendations have been implemented and good progress is being made to address the other actions. However further work is still required around budgeting. Whilst the last quarterly review was postponed, budget monitoring was also raised at the finance risk workshop in March 2020, so it is assumed that this has yet to be addressed by Marine Hall.</p> |
| <b>Beach Management Scheme</b> |                         |                                     |     |     |     |     |               | This was due to start in March 2020, however owing to the pandemic this piece of work has been put on hold pending a return to a more business as usual recovery phase.   |

| TITLE   | STATUS | RECOMMENDATIONS – PRIORITY RANKINGS |   |   |   |   | AUDIT OPINION | Summary   |
|---|--------|-------------------------------------|---|---|---|---|---------------|---|
|   |        | 1                                   | 2 | 3 | 4 | 5 |               |   |
| <b>CIVICA Pay (replaces PARIS and Go-cardless)</b>  |        |                                     |   |   |   |   |               | This piece of work was due to start in March 2020, however owing to the pandemic this project has been put on hold pending a return to a more business as usual recovery phase.       |
| <b>Citizens' Access Portal</b>                      |        |                                     |   |   |   |   |               | This piece of work was due to start in March 2020, however owing to the pandemic this project has been put on hold pending a return to a more business as usual recovery phase.       |
| <b>Better Care Fund</b>                             |        |                                     |   |   |   |   |               | This piece of work was due to start in April 2020, however owing to the pandemic this piece of work has been put on hold pending a return to a more business as usual recovery phase. |
| <b>Disaster Recovery</b>                            |        |                                     |   |   |   |   |               | This piece of work was due to start in April 2020, however owing to the pandemic this piece of work has been put on hold pending a return to a more business as usual recovery phase. |
| <b>Council Tax – Recovery Policy and Procedures</b> |        |                                     |   |   |   |   |               | This piece of work was due to start in March 2020, however owing to the pandemic this piece of work has been put on hold pending a return to a more business as usual recovery phase. |

## **Other audit work undertaken:**

### **National Fraud Initiative – Cabinet Office data matching exercise**

The council is currently participating in the 2019/20 data matching exercise. Following the upload of the necessary data in September 2019, the council has received the data matches that require investigation. However, progress on reviewing the data matches has been slow initially due to resourcing and recently owing to the officers who normally process the matches carrying out Covid-19 related activities. Once the results of the data matching exercise have been completed, these will be reported to the Audit Committee.

Following a number of years of relatively low value results, a review of the NFI data matching exercise will be completed later in the year to identify any best practice measures we don't currently undertake. The review will include comparing Wyre's approach to other local councils to identify any improvements to current practice that are worthwhile adopting to improve value for money.

### **Information governance – Data Protection Officer's (DPO) judgement of security and use of business assets**

The new Data Protection Act 2018 and the enshrined General Data Protection Regulations (GDPR) came into force in May 2018. Since this time the Data Protection Officer has been working with the Information Governance Group and the Senior Auditor to ensure compliance. Significant work was completed in 2018/19 and work has continued to ensure the council is compliant to all legislation. Whilst GDPR compliance is no longer on the council's strategic risk register, it continues to be an operational risk and still features in the Head of Governance's Service Plan. GDPR compliance is also regularly reported to the Corporate Management Team and the Audit Committee. Whilst there are a number of pieces of work that still need to be completed (see below) it is the opinion of the DPO that the council is therefore overall compliant with the Act and the GDPR. This opinion will be validated by an external assessment later in the year.

Additional points to note are as follows;

- Following the approval of the Data Protection Policy and Procedures at Audit Committee in November 2019, the Policy and Procedures have now been embedded into the Corporate Induction process and also rolled out to all existing staff via BRIAN and Heads of Service. All staff are being asked to sign a declaration to verify they have read and understood the content. There are still a number of services who have not returned their declarations and a number of officers have also raised that they have not completed the e-learning software that is mentioned in the policy as they arrived after the initial training dates in April 2018. It is has been agreed

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that these staff can hold off signing the policy until training has been completed. A list will be held by the Head of Governance of any staff who have not completed any GDPR / information governance training and / or have not signed the declaration for that reason. Unfortunately, the E-learning software used in the past is now considered to be out of date, therefore the Head of Business Support is in the process of looking at alternative training platform, which includes GDPR / Information Security training modules.

- The council continues to ensure all its privacy notices are kept up to date and published on the council's website.
- The Information Governance Group continues to meet regularly. An agenda is published in advance of the meetings and an action plan is updated following each meeting and is followed up by the Head of Governance shortly after the meeting. This is also shared with the Corporate Management Team (CMT). The information governance group meetings have now been synchronised to align with the quarterly CMT Chief Internal Auditor and Data Protection update meetings. However owing to Covid-19 the last meeting was cancelled.

### **Further work to be completed during 2020/21**

- The GDPR compliance piece of work rolled from the 2019/20 audit plan that was scheduled to take place in summer 2020 has been postponed owing to the Covid-19 epidemic. This work will hopefully be re-scheduled for later in the year subject to the availability of the external provider that was completing the work. In the meantime, the Head of Governance will utilise the report following the Lancaster City Council piece of work to identify any weaknesses in the systems and processes at Wyre and implement improvements where required.
- The Information Governance Manager is in the process of developing guidance for internal staff on Subject Access Requests and carrying out a data breach investigation. This guidance will be published on BRIAN.
- Owing to Covid-19, the pre-council GDPR training session and the FOI / EIR refresher training for staff has been postponed. It is hoped that both these training sessions will be re-arranged later in the year; subject to availability of the external trainer.

### **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.

An Ethical Governance Survey was completed by the Head of Governance in 2019 to test staff knowledge and understanding of these policies. An action plan of the findings and any subsequent recommendations required to address any gaps in knowledge and understanding was published on the council's intranet.

### **Whistleblowing / Investigations**

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

### **Gifts and Hospitality (Received and Provided)**

The Audit and Risk Management Team maintain the register of gifts and hospitality and provide advice when necessary. There is an online E-form which staff are required to complete on receipt of any gift or hospitality. The E-form is then passed to the Head of Governance to be included on the Council's register. Since 1 April 2019 there have been 20 gifts and hospitality items registered, compared to 20 items registered in 2018/19. The register has been examined by both the Audit Committee and the Council's Monitoring Officer. A reminder was issued to staff in December 2019 about the policy and the need to report any gifts or hospitality received. The Ethical Governance Survey tested staff knowledge and understanding of the content and results showed that 97% of those responded to the survey (95 members of staff) had either a 'good' or a 'reasonable' understanding of the policy.

### **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. The last annual review completed by the Head of Governance and ratified by the Head of Finance (Section 151 Officer) in May 2020 identified no issues that required following-up or reporting in the 2019/20 Annual Governance Statement.

In addition, 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 organisation. External assessments can be in

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the form of a full external assessment, or a self-assessment in-house with independent external validation. It was agreed by the Lancashire District Chief Auditors group and validated by the Audit Committee, that peer reviews would be used to obtain the independent external validation. Wyre Council's assessment was completed in April 2018. The report was presented to the Audit Committee on the 19 June. Only three minor issues were identified, all of which have been considered and implemented where appropriate. The next peer review is scheduled for February 2023.

### **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; six 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 section's Audit Charter and also in the PSIAS.

#### **External assessments include:**

- A five yearly independent assessment of compliance to the PSIAS;
- An annual review of the Council's Annual Governance Statement which accompanies the Statement of Accounts;
- Regular attendance at the Audit Committee by the Council's External Auditor with the opportunity to meet in private with the Committee; and
- The External Auditors and the Audit Committee review and challenge all internal audit reports.

### **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 organisation. 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

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Annual Audit report and that significant deviation requires inclusion in the Council's Annual Governance Statement. Following the external validation in April 2018 and the annual self-assessment dated May 2020 there are no deviations to report in the 2019/20 Annual Governance Statement.

### **COMPLIANCE TEAM**

Wyre's Compliance Team investigates alleged irregularities across a range of areas. These include but are not limited to:

- Investigating false claims for Council Tax Single Person Discount and other Council Tax discounts/exemptions,
- Investigating false claims for Localised Council Tax Support (LCTS);
- Business Rate Avoidance issues including identifying unregistered businesses, identifying falsified business rate relief claims and investigating the use of insolvency legislation to avoid liability;
- Identifying unregistered domestic properties, referring them to the Valuation Office Agency for entry into the local Council Tax rating list;
- Identifying unregistered non-domestic hereditaments, referring them to the Valuation Office Agency for entry into the Non-Domestic rating list;
- Conducting general benefit review cases, identifying changes in circumstances and recalculating entitlements accordingly; and
- Recovery of overpaid Housing Benefit, Council Tax Arrears, Business Rate Arrears and Sundry Debts.

The council introduced in 2018/19 a civil penalty (low level fines) regime for both Council Tax and Housing Benefit for people who fail to report changes in circumstances resulting in overpayments which do not meet the Single Fraud Investigation Service current investigation threshold. To date, 132 Housing Benefit and 47 Council Tax penalties have been issued.. The team also concentrate some of its resources on mostly preventative functions such as fraud awareness training.

### **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:

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- 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 table below shows the total number of completed pieces of work by Wyre Council during 2019/20 and the overall audit opinion that was given.

### **Wyre Council Reports Completed / Reports Issued**

| Audit Opinion    | Excellent | Good | Fair | Weak | Poor | Total |
|------------------|-----------|------|------|------|------|-------|
| Number of Audits | 1         | 6    | 1    | 0    | 0    | 8     |

Of the seventeen pieces of work agreed in the 2019/20 audit plan, eight pieces of work have been completed. However, as explained in the table earlier in this report, no reports were issued in four instances. For the purposes of this report an overall opinion was still issued.

In addition, three pieces of work have still to be finalised and six pieces of work have unfortunately been delayed.

### **Chief Internal Auditor's opinion on the council's internal control environment**

It is pleasing to see that of the work completed, no areas of work have been given either a 'weak' or poor' audit opinion.

Whilst three reports have still be finalised and six pieces of work have yet to be started, it is my opinion that of the work completed 'adequate' assurance can be given that the council has satisfactory controls in place in the areas audited to be able to maintain an adequate and effective internal control environment.

Whilst this 'adequate' overall opinion will be reported in the Council's Annual Governance Statement for 2019/20, the council should be mindful of the limited coverage during the year owing to the Covid-19 pandemic and limited resources which lead to the delay in work completed at the start of the year.

**RISK MANAGEMENT PROGRESS REPORT**

**RISK MANAGEMENT PROGRESS REPORT**

**Strategic Risks**

The Corporate Management Team (CMT) met on the 10 February 2020 to carry out the annual strategic workshop. The results of this workshop can be found at Appendix 3 to this report. The next quarterly update is due to be completed on the 22 July 2020.

**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 normally held in February / March each year following the strategic risk workshop, 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. Owing to the Covid-19 epidemic, risk workshops have not been completed, however the Senior Auditor has liaised with all Heads of Services asking for updates. 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

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each risk and challenge officers in the instances where no progress has been made.

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

### **Brexit Risks**

In preparedness for the UK leaving the European Union in January 2020, the council 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 Corporate Director Communities, Head of ICT and the Senior Auditor. The last review was completed on the 3 March 2020 and the results of this review can be found on BRIAN by following the link below. The next review is scheduled for the 2 June 2020. However due to the current working arrangements owing to the COVID-19 epidemic, this review will be completed remotely.

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



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**Wyre Council - Audit and Risk Management**

**STRATEGIC RISK REVIEW**

**10 February 2020**



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**Appendix C - Risks below the appetite**

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**Report Preparation**

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

**Report Distribution**

This report has been issued to:

- Garry Payne – Chief Executive
- Marianne Hesketh – Corporate Director Communities
- Mark Billington – Corporate Director Environment
- Clare James – Corporate Director Resources
- Joanne Billington – Head of Governance
- Cllr L McKay – Audit Committee Chairman

## **1. Introduction**

- 1.1 On the 10 February 2020 a strategic risk management workshop was facilitated by the Senior Auditor for Wyre Council in accordance with the council's annual risk management process.
- 1.2 This exercise was attended by the Corporate Management Team and Head of Governance. 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 2020/21.

## **2. Executive Summary**

- 2.1 The last half yearly review of the strategic risk register was completed in October 2019 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 one new risk and concluded that two of the original eight risks could be removed from the register. (Appendix C describes the risks and the reason for their removal from the register.) The six risks remaining from the original register were reviewed in terms of likelihood and impact resulting in four retaining the same rating and two being amended.
- 2.3 A review of the risk appetite was completed resulting in the low likelihood and catastrophic impact risks falling below the risk appetite. There are now seven risks above the risk appetite. The completed matrix is shown in Appendix A.
- 2.4 Following the assessment the seven risks above the risk appetite are as follows:

| <b>Risk Number</b> | <b>Description</b>   |
|--------------------|--|
| 18                 | Central government funding is insufficient to maintain the current level of service.   |
| 23                 | The combination of the efficiency programme and delivery of commercial projects is insufficient to meet the funding gap identified in the latest financial projection. |

|    |   |
|----|---|
|    |   |
| 26 | Insufficient capital receipts are received from the sale of council assets or revenue underspends resulting in a failure to deliver council projects. |
| 42 | Business Rates Retention Reforms result in insufficient or unpredictable ongoing revenue to fund statutory services.                                  |
| 43 | The Digital Wyre Strategy is not delivered due to a lack of staff capacity and broader issues with software providers.                                |
| 46 | The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff.                                 |
| 47 | The return from council assets is not maximised resulting in a failure to reduce council subsidy.   |

- 2.5 The risks above the risk appetite (Appendix B) will now be managed and monitored to ensure that they do not hinder the delivery of the Council's objectives. A risk owner for each of the 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.

### **3.0. Approval**

- 3.1 The revised risk register will be reported to 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 2020.

**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 March 2020 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 2020/21.

### Appendix A - Risk Profile

|            |   |        |     |                      |   |
|------------|---|--------|-----|----------------------|---|
| Likelihood | A |        |     | 18 23 26 42 46<br>47 |   |
|            | B |        |     | 43                   |   |
|            | C |        |     |                      |   |
|            | D |        |     |                      |   |
|            | E |        |     |                      |   |
|            |   | IV     | III | II                   | I |
|            |   | Impact |     |                      |   |

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

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

## Appendix B – Strategic risks above the appetite

| Risk Number | Risk Score      | Risk Description  | Vulnerability  | Consequence  | Risk Owner  |
|-------------|-----------------|---|--|--|-------------|
| 18          | Critical / High | Central Government funding is insufficient to maintain the current level of service.                            | Central government funding provided to each authority has only been announced for one year (2020/21). As such uncertainty regarding future funding levels remains owing to the Fair Funding Review and other funding reforms. Based on current spending the funding gap in 2024/25 is £2.6m. | <ul style="list-style-type: none"> <li>• Further savings will need to be identified</li> <li>• The 4 year business plan may need to be reviewed in accordance with resources available</li> <li>• Negative impact on staff resulting from uncertainty about the future</li> </ul>                                | Clare James |
| 23          | Critical / High | The efficiency programme is insufficient to meet the funding gap identified in the latest financial projection. | 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.   | <ul style="list-style-type: none"> <li>• Additional savings / cuts in services may be required</li> <li>• Members' trust in the Corporate Management Team and the SLT to deliver future savings will be affected</li> <li>• The impact of further reductions in government grants will be exacerbated</li> </ul> | CMT         |

| Risk Number | Risk Score      | Risk Description  | Vulnerability   | Consequence  | Risk Owner  |
|-------------|-----------------|---|---|--|-------------|
| 26          | Critical / High | Insufficient capital receipts are received from the sale of council assets or revenue underspends resulting in a failure to deliver council projects. | Future capital investment is dependent on capital receipts from the sale of council assets and the achievement of revenue underspends at outturn.       | <ul style="list-style-type: none"> <li>• Additional savings / cuts in services will be required</li> <li>• Additional borrowing costs will exacerbate the funding gap</li> <li>• Assets will deteriorate and maintenance costs will increase</li> <li>• Resident satisfaction levels will reduce</li> </ul>  | CMT         |
| 42          | Critical / High | Business Rates Retention Reforms result in insufficient or unpredictable ongoing revenue to fund statutory services.                                  | Business Rates Reform leads to volatile funding (impact of radical changes planned with regular baseline resets, economic recession and large appeals). | <ul style="list-style-type: none"> <li>• Pooling arrangements for 2020/21 have been agreed at 50%. An additional reserve may be required to mitigate the impact of any future reductions in funding redistributed by central government and to smooth the impact over a transitional period.</li> <li>• Further consequences linked to those risks 18 and 23.</li> </ul> | Clare James |

| Risk Number | Risk Score             | Risk Description  | Vulnerability  | Consequence  | Risk Owner       |
|-------------|------------------------|---|--|--|------------------|
| 43          | Critical / Significant | The Digital Wyre Strategy is not delivered owing to a lack of staff capacity and issues with software providers.      | The Digital Wyre Strategy is a key project within the 2020/21 business plan and there is concern that there is a lack of staff capacity to deliver the projects within this and broader issues with software providers.  | <ul style="list-style-type: none"> <li>• Projects are not delivered</li> <li>• Loss of reputation</li> <li>• Staff frustration as services are not improved</li> </ul>   | Marianne Hesketh |
| 46          | Critical / High        | The recruitment and retention of staff is challenging leading to increased council costs to attract and retain staff. | The council are experiencing difficulty in attracting and retaining staff in key service areas owing to competing salaries at neighbouring authorities and the private sector.   | <ul style="list-style-type: none"> <li>• Loss of knowledge / experienced staff</li> <li>• Unable to recruit qualified / skilled staff</li> <li>• Council projects are not delivered</li> <li>• Existing resources are stretched</li> </ul> | CMT              |
| 47          | Critical / High        | The financial return from council assets is not maximised resulting in a failure to reduce council subsidy.           | A number of council assets and the services operated from these buildings i.e. YMCA / Marine Hall are subsidised by the council. However, there is a risk that the projected reductions in the current subsidy are not achieved leading to potential increases in council expenditure. | <ul style="list-style-type: none"> <li>• Expected returns from council investment are not achieved</li> <li>• Increases in council expenditure</li> <li>• Reduced income</li> </ul>  | CMT              |

### Appendix C - Risks removed from the register

| Risk number | Reason for removing from register  | Risk Description   | Vulnerability   | Consequence   |
|-------------|--|--|---|---|
| 45          | Following the UK withdrawal from the EU on the 31/1/20, guidance from Central Government is now awaited. Risk moved to the Operational risk registers.   | Council services are disrupted following the UK withdrawal from the EU.                                | The UK is due to leave the EU on the 29/3/19. The impact of BREXIT on council funding, services and supplies is uncertain at this stage.                                  | <ul style="list-style-type: none"> <li>• Increased supplier / materials costs</li> <li>• Loss of funding</li> <li>• Withdrawal of council services</li> <li>• Council projects cannot be delivered</li> </ul>   |
| 39          | Following the withdrawal of LCC funding for the Care & Repair Service in 2019/20 funding of £40k from the CCG has now been secured. As there are no other services which are currently threatened with the loss of LCC funding, the risk has been removed. | Funding from Lancashire County Council is withdrawn impacting on the delivery of services within Wyre. | Lancashire County Council have set a legal budget for 2018/19 but have announced that significant savings have to be achieved to reduce their funding gap beyond 2019/20. | <ul style="list-style-type: none"> <li>• Services are withdrawn</li> <li>• Increased council expenditure to continue with existing services</li> <li>• Adverse publicity</li> <li>• Reputational damage</li> <li>• Increased complaints from service users</li> </ul> |