

Report of:	Meeting	Date	Item no.
Corporate Director of Resources (S151 Officer)	Audit Committee	24 May 2016	8

INTERNAL AUDIT ANNUAL REPORT 2015/16

1. Purpose of report

- 1.1 To approve the Internal Audit Annual Report for 2015/16 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/s

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

4. Background

- 4.1 The Internal Audit Annual Report is produced in order to meet the requirements of the Public Sector Internal Audit Standards and to assist in meeting the Accounts and Audit Regulations 2015. 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, Operational and Strategic Risk Management Reports are attached at Appendices 1, 2 and 3.

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

Other risks/implications: checklist

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

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

risks/implications	✓ / x
asset management	x
climate change	x
data protection	x

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

List of appendices

Appendix 1 – Internal Audit Annual Report 2015/16

Appendix 2 – Risk Management Progress Report – Operational Risks

Appendix 3 – Strategic Risk Management Review

arm/audit/cr/16/2405jb2

INTERNAL AUDIT ANNUAL REPORT 2015/16

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

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

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

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

This year (2015/16) 70 days of audit support was contracted out to Mazars at a rate of £264 per day. This was supplemented by work performed by the in house Senior Auditor. The work completed by the in-house team is benchmarked against the work carried out by Mazars to ensure that quality and standards are maintained.

Electronic internal feedback review forms are distributed after each audit review and in 2015/16 all the feedback received indicates that the work of internal audit continues to be valued with no major issues being reported.

The audit plan for 2015/16 originally comprised a total of 22 audit reviews. However, due to additional work that was required by the Audit Team to implement the recommendations made in the Information Governance review completed by LCC, an amended audit plan was agreed by the Audit Committee in September 2015 which comprised of 19 audit reviews. 2 reviews have been rolled to the 2016/17 financial year (Compliance with Financial Procedure Rules and Payment Card Industry Data Security Standards), and 1 review was no longer required (Committee Reports – Implications and Reporting Deadlines). In addition, the time allocated in 2015/16 to participate in the peer review for compliance with the Public Sector Internal Audit Standards has also been rolled to 2016/17 due to Wyre's peer review not taking place until March 2018.

100% of the amended audit plan for 2016/16 will be completed within the agreed number of days and to budget.

Audit Work Performed in 2015 / 2016

Summarised below are the reviews that have been performed and reports issued in 2015/16. Final reports are published in full on the Council's Intranet site.

Mazars reports

Assurance Level	Control Environment
Substantial Assurance	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
Adequate Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the organisation's objectives at risk. The level of non-compliance with some of the control processes may put some of the organisation's objectives at risk.
Limited Assurance	Weaknesses in the system of internal controls are such as to put the organisation's objectives at risk. The level of non-compliance puts the organisation's objectives at risk.
No Assurance	Controls are generally weak leaving the system open to significant abuse and/or we have been inhibited or obstructed from carrying out or work.

Recommendation Priority	Description
1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

TITLE	STATUS	RECOMMENDATIONS				Overall Assurance	Summary
		1	2	3			
Follow-up 2014/15 Audit Recommendations	Work Completed	N/A	N/A	N/A	N/A	No final report has been issued. Assurance was provided to the Head of Governance that agreed actions within a sample of audit reports have been actioned in the agreed timescales. There was an increase in the number of actions that had not been implemented in the timescales agreed and the Head of Governance (Chief Internal Auditor) will document the reasons for non-implementation and monitor the progress going forward. A larger allocation of days has been scheduled in 2016/17 to undertake a larger sample of previously agreed audit recommendations to ensure that this is not the same across the board.	

TITLE	STATUS	RECOMMENDATIONS				Overall Assurance	Summary
		1	2	3			
Debtors, Creditors and Budgetary Control	Final Report Issued	0	2	2	Adequate	<p>The audit work undertaken allows Mazars to give Adequate Assurance over the controls in place in respect of the Council's Debtors, Creditors and Budgetary Control processes. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The Council should undertake a review of self-approval authorisation rights and limits to ensure that these are rationalised in line with approved operational need and then reviewed on a periodic basis thereafter; • A reconciliation between the Civica and NatWest payment files should be undertaken at each payment run to identify any duplicate payments; • The Sundry Debt Policy should be reviewed and updated on a routine basis and the minimum values for debtor invoices to be raised should be reiterated to relevant staff; and • Management should remind staff of their procurement responsibilities and processes to be undertaken in Civica in order to ensure that all payments made are subject to appropriate three-way matching to an authorised order and GRN where appropriate. 	
Treasury Management	Final Report Issued	0	0	6	Substantial	<p>The audit work undertaken allows Mazars to give Substantial Assurance over the controls in place in respect of the Council's Treasury Management processes. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The Council should review and update the Treasury Management Practices and Strategy documents so they are in line with operational procedures; • The Council should develop and communicate procedural guidance notes in relation to investments processes; inclusive of roles and responsibilities, authorisation process, and documentation retention requirements; • The Finance Team should include the current credit worthiness rating from Capita on the summary spreadsheet 	

TITLE	STATUS	RECOMMENDATIONS				Summary
		1	2	3	Overall Assurance	
						<p>for each account. This should be reviewed on a regular basis to ensure the appropriate mix of live investments. Where credit worthiness ratings have changed adversely such that investments exist beyond the current advised risk period this should be clearly identified;</p> <ul style="list-style-type: none"> • Training records and certificates should be maintained and retained by HR for all staff training provision; • Bank account reconciliations should be reviewed, signed and dated as evidence of approval on a timely basis; and • The IT Computer Use Policy should be reiterated to relevant staff.
Transparency Code Compliance	Final Report Issued	0	0	2	Substantial	<p>The audit work undertaken allows Mazars to give Substantial Assurance over the controls in place in respect of compliance to the Transparency Code. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The Council should investigate the feasibility of creating an additional webpage to signpost users of the website to relevant areas relating to the Code and review the tagging of published data sets to maximise the likelihood of accurate data returns upon key word web searches by website users; and • Ensure all data sets published are in line with the 'must' information publication requirements, in particular around Procurement Information and Grants and the Fraud Data sets.
Housing Benefit Overpayments	Final Report Issued	0	3	1	Adequate	<p>The audit work undertaken allows Mazars to give Adequate Assurance over the controls in place in respect of the Council's Housing Benefit Overpayments processes. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • A review of debt collection agency services should be undertaken, to determine whether or not existing agencies

TITLE	STATUS	RECOMMENDATIONS				Summary
		1	2	3	Overall Assurance	
						<p>used provide good value for money in respect commission rates charged, service provision and recovery performance. Dependent upon the outcome of this review, debt collection agency services should then be subject to a formal tender exercise or commission rates negotiated with the existing agencies. Service level agreements or contracts should be put in place and agreed with each debt collection agency. In addition, agency recovery performance and commission rates should be reviewed on at least an annual basis and undertaken a full value for money review and/or tender exercise on a three to five yearly basis;</p> <ul style="list-style-type: none"> • Procedures, such as independent spot checks, should be implemented to ensure that recovery rates are updated within Northgate to reflect the recovery rates set by DWP. Where multiple overpayments are present on an account across more than one period, there should be a review of the account to confirm the accuracy of the agreed recovery rate being applied; • The Council should reiterate guidance to relevant staff in respect of issuance of claimant notifications/letters. The Council should monitor the issuance of claimant letters on a routine basis (e.g. through spot checking or exception reporting); and • The Council should review the cases identified and write off debts where appropriate. Procedural guidelines should be documented and communicated to staff, to ensure consistency in the application of operational procedures and facilitate the training of new staff.

TITLE	STATUS	RECOMMENDATIONS				Summary
		1	2	3	Overall Assurance	
Care and Repair	Final Report Issued	0	5	1	Adequate	<p>The audit work undertaken allows Mazars to give Adequate Assurance over the controls in place in respect of the Council's Care and Repair function. Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The Council should undertake a full review of data recording practices to reduce duplication and identify opportunities to improve efficiency. Clear requirements in terms of data retention and management should be formally defined and applied; • The cash receipting process should be reviewed and streamlined to reduce inefficiency and the potential for error and loss of funds; • The Care and Repair Manager should liaise with the Monitoring Officer at Lancashire County Council to agree reporting requirements and frequencies, and thereafter ensure that these are met to demonstrate service performance and compliance with requirements set out within the Collaboration Agreement; • Handyperson charges should be clearly documented and communicated. Fees should be subject to periodic review and revision and the reasons for any works not charged should be clearly recorded by the Handyperson and reviewed; • Core works fees should be clearly documented and communicated. Fees should be subject to periodic review and revision. The Agreement to Provide a Home Improvement Agency Service form should be reviewed and updated. The form should then be completed in advance of commencing works to record the deposit and full expected fees payable by the client for all works. Fees payable by charity funders should be clarified and charged where appropriate. Reasons for any fees not charged for should be

						<p>clearly recorded and reviewed; and</p> <ul style="list-style-type: none">• Operational guidance notes and process charts should be documented, in conjunction with the review and update of documentation and the future use of spreadsheets and the FMIS database (or their replacements) as per the recommendations above.
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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 delivery 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 Councils 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		
Regulation of Investigatory Powers Act (RIPA)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No report has been issued for this piece of work. The objective of the work was to carry out a health check prior to the RIPA Inspectors visit to ensure all previous recommendations had been implemented. No issues were identified.
E Benefit System	Final Report Issued	0	1	3	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"> • A contractual agreement with Victoria Forms has not been established; • Access permissions have not been reviewed in accordance with current operational requirements; • The completion of claims are occasionally delayed whilst officers are on leave; and • Change in circumstance forms are failing to integrate into the Northgate system.
Fleetwood and Poulton Market	Final Report Issued	1	5	2	0	2	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • The procedures manual at Fleetwood market still requires updating; • First aid training has not been renewed for all staff; • Risk assessments are not renewed annually and communicated to all staff; • Fire instructions are not displayed and communicated to staff and traders and evacuations are not routinely completed; • Copies of CCTV data are not securely stored or destroyed when they are no longer required; • Portable appliance testing has not been completed at Fleetwood Market since

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<p>2012; The temperature readings identified by the Legionnaires inspections have not been reviewed to establish if these are correct; Maintenance inspections are not documented where a hazard is not identified; Maintenance repairs are completed subject to funding; and</p> <ul style="list-style-type: none"> The National Association of British Market Authorities (NABMA) maintenance schedule should be adopted and regularly reviewed with the responsible officers to ensure building maintenance duties are completed.
Housing Options	Final Report Issued	1	3	6	0	0	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> The revised Homelessness Strategy completed in 2014 has not been formally accepted or published; All of the documented procedures completed in 2009 have not been reviewed and updated; Case file reviews are not signed off by a Senior Officer in all instances; Data sharing agreements have not been established; Paper and electronic files are not routinely destroyed in accordance with the storage and retention policy; The phone ahead fax policy is not documented; Evidence of valid fire certificates and public liability insurance has not been requested for bed and breakfast accommodation;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> No evidence is held that the risk assessments have been communicated to staff; The spreadsheets for the DHIS and Landlord incentive schemes do not accurately reflect current expenditure; and Purchase orders are not raised for the goods and services requested by the Housing Options Service.
Thornton Little Theatre	Final Report Issued	0	2	4	0	0	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> No signage is in place informing customers that CCTV is in operation; A summary showing the calculation of the charge levied for each event is not held on file; Event forms are not fully completed showing all charges and payments received; Weekly fire alarm tests are not completed or regular fire training provided to staff; The security alarm is not externally monitored; and PAT testing had not been completed.
Waste Contract & Monitoring Arrangements (follow-up)	Final Report Issued	0	0	1	0	1	Excellent	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> Written procedures are required to control the data collected through the use of 360 degree cameras; and Supervisory audits are not completed equally by the Council for all rounds or documented in all instances.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
Development Management	Final Report Issued	0	1	6	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"> • Pre-application advice files are not routinely closed on the IDOX system when completed or following non-receipt of a fee; • Completed validation checklists are not retained in all instances and the valid date accurately recorded on the IDOX system; • Applications are not processed within the statutory time period in all instances; • Extensions of time are not agreed to extend the 8 or 13 weeks period or renewed in all instances and extensions of time are not agreed prior to the expiry of the 26 week period in all instances; • Debit card refunds are not authorised prior to payment; • The start date for appeals is not accurately recorded in all instances; and • Appeal costs are not currently recorded on the IDOX system.
Private Sector Housing – Grants & Enforcement	Final Report Issued	0	7	5	0	0	Fair	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • Decisions made by the priority panel are not documented in all instances; • Means tests are not independently checked; • A competitive tendering exercise has not been completed to select DFG contractors; • Standard pricing for DFG work has not been reviewed since 2007;

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								<ul style="list-style-type: none"> • Two or three quotations are not requested for non-standard DFG works; • Evidence of a contractor’s insurances are not requested annually; • Purchase orders are not raised when requesting services for DFG’s; • Invoices for DFG works are not paid in a timely manner in all instances; • Complaints are not responded to within 5 days in all instances; • A number of complaints have been outstanding for some time and require review; • The findings of an inspection are not recorded on the case record in all instances; and • Invoices are not issued in a timely manner to recover the cost of an enforcement notice.
CCTV – Compliance with Code of Practice	Final Report Issued	0	0	4	1	0	Good	<p>In addition to the 2 outstanding audit recommendations from the previous audit further areas have been identified where improvements could be made to strengthen the control environment. Namely;</p> <ul style="list-style-type: none"> • The privacy impact assessment are not reviewed annually; • The Community Safety data sharing agreement requires reviewing to ensure this includes the CCTV system; • Details of the complaints procedure are not displayed on the CCTV website; and • The annual report should be expanded to include the procedures and safeguards in place and to include an evaluation of the alternative interventions to surveillance cameras.

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
YMCA	Final Report Issued	2	2	6	0	1	Good	<p>Areas have been identified where improvements could be made to strengthen the control environment, namely;</p> <ul style="list-style-type: none"> • A signed copy of the amended partnership agreement was outstanding; • The equipment inventory has not been updated since 2011; • An annual financial performance report has not been produced since 2011/12; • YMCA do not revise their annual budgets increasing the risk of the subsidy being exceeded; • A separate capital repair and maintenance budget no longer exists; • The asbestos surveys at Fleetwood and Garstang Leisure Centres require updating and no evidence of the surveys carried out at Thornton and Poulton has been received; • Monthly legionella temperature readings are not being completed at all centres; • The fire risk assessments at the outdoor changing rooms have not been reviewed since 2010; • A business continuity plan has not been developed; • Quarterly reports of the works undertaken by the Building Repair and Maintenance Group are not submitted to the Partnership Board; and • Confirmation that adequate contents insurance is in place is required.
Council Tax Support Scheme	Draft Report Issued							The overall objective of the audit was to review the systems and procedures in place surrounding the Council Tax Support Scheme and to identify any areas of potential weakness

TITLE	STATUS	RECOMMENDATIONS – PRIORITY RANKINGS					AUDIT OPINION	Summary
		1	2	3	4	5		
								and / or risk and provide an overall opinion as to whether the controls in place are adequate and effective.
Council Tax Debt Recovery – New workflow process	Draft Report Issued							The overall objective of the audit was to review the systems and procedures in place surrounding the Council Tax Debt Recovery processes and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are adequate and effective.
Compliance to Anti-Social Behaviour, Crime & Policing Act 2014	Draft Report Issued							The overall objective of the audit was to review the systems and procedures in place ensuring compliance to the Anti-Social Behaviour, Crime and Policing Act 2014 and to identify any areas of potential weakness and / or risk and provide an overall opinion as to whether the controls in place are adequate and effective.

Operational Audits to be rolled forward into the 2016 /17 Audit Plan

2 audits have been rolled forward into the 2016/17 audit plan, which was agreed by the Audit Committee in March 2016 to allow additional work to be carried out following the Information Governance review completed by LCC. The rolled audits are as follows;

- Payment Card Industry Data Security Standards; and
- Compliance with the Financial Procedure Rules.

Other audit work undertaken:

Investigations

There has been one internal investigation carried out during 2015/16 in relation to staffing issues at the Copse Road Depot. Both the External Auditor and the Chairman of the Audit Committee were updated on the outcome of this investigation.

National Fraud Initiative – Data Matching Exercise.

The Council is in the process of processing the data matches received regarding housing benefits, council tax, rising 18's, payroll, creditor payments, VAT, licences, insurance claims, and resident parking permits. Once all matches have been examined, the Compliance Manager will attend Audit Committee in September 2016 to present the results.

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 on-line 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 2015 there has been 38 gifts and hospitality items registered, compared to 68 items registered in 2014/15. A reminder was issued to staff in December 2015 reminding them of the policy and the need to report any gifts or hospitality received.

Information Governance

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

There are still two elected Members who have not completed the course and the Head of Governance is liaising with both members to ensure the course is completed as soon as possible.

In 2015, LCC carried out a review of the Council's information governance framework. An action plan was formulated and extra resources have been committed to ensure the actions are implemented in accordance with agreed timescales. The main area requiring attention focused on the development of an Information Asset

Register, a classification scheme and identifying asset owners. At the time of the audit the council was in the process of developing corporate retention schedules, however, these schedules have now become the Council's Information Asset Registers and include a classification scheme and asset owners. It should be noted that as no Information Asset Registers are currently in place for the People and Places Directorate they will continue to use the DCLG's 'Local Government Classification Scheme' which can be found on the intranet under the Information Governance page.

External training with the nominated 'Information Asset Owners' has been scheduled to take place in June 2015 to ensure they are aware of their responsibilities as nominated asset owners.

Anti-Fraud and Corruption Awareness

All the Council's counter fraud policies are located on BRIAN to allow staff and Elected Members easy access. It is intended to refresh staff awareness in Summer 2016 with a questionnaire to both staff and elected members to highlight any gaps in knowledge. This has previously been deferred pending the completion of the staff survey.

Effectiveness of Internal Audit Review

In accordance with the Accounts and Audit Regulations 2015, paragraph 6 (1) requires the relevant body, each financial year to conduct a review of the effectiveness of its system of internal audit. The review recognises the important role that internal audit play in the assurance process and the need to continually ensure that it remains effective. This year's review has been completed using the 'Public Sector Internal Audit Standards' and 'Local Government Guidance Note' issued by CIPFA. There were no major gaps with compliance and only minor action was highlighted as requiring attention. 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 the form of a full external assessment, or a self-assessment in-house with independent external validation. The proposal from the Lancashire District Chief Auditors group, which has been agreed by Audit Committee, is to continue with the self-assessment and use peer reviews to obtain the independent external validation. Wyre Councils assessment will be completed in March 2018.

Quality Assurance Improvement Programme

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

The internal assessments include the following;

- An annual self-assessment of the effectiveness of the audit service using the PSIAS. From this assessment an action plan highlighting areas for improvements will be developed. The results of this exercise are reported to the Audit Committee in May each year;
- 6 monthly monitoring of the internal audit activity to the Audit Committee; and
- Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the Sections Audit Charter and also in the PSIAS.

External assessments include:

- A 5 yearly independent assessment of compliance to the PSIAS;
- 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 Annual Audit report and that significant deviation requires inclusion in the Council's Annual Governance Statement. It should be noted that at the review dated May 2016 there were no significant deviations to report.

Security Sweeps

Security sweeps of the building were carried out in December 2015 with the objective being to give an opinion on the overall security of the Civic Centre, making suggestions where improvements could be made and ensuring that the Council is complying with the seventh data protection principle 'personal information must be secure'. A few minor issues were identified at the time of the security sweep but they were immediately rectified. A further security sweep will also take place in the next few months which will focus on communal areas accessible by Lockwood Surgery; for example the reception area.

Benefit Fraud

During 2015/16 the Compliance Team have taken the following action;

- Formal Cautions : 5 cases totalling £12,082
- Administrative Penalties (overpayments) 0 cases totalling £0
- Administrative Penalties (fines : 30% or 50%) 0 cases totalling £0
- Criminal Prosecutions : 12 cases totalling £59,242.16

It should be noted that these figures only represent the period 1 April 2015 to 31 July 2015. With effect from the 1 August 2015 the housing and council tax benefit fraud function transferred to the DWP. At that time, a total of 33 open active investigations were transferred to the DWP and the results of these investigations are not reported above.

Since 1 August 2015 the team has concentrated its resources on preventative and investigative functions. These include council tax evasion, business rates avoidance issues and housing benefit/council tax support general claim reviews.

The Council is also in the process of looking to introduce 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 over payments which do not meet the Single Fraud Investigation Service current investigation threshold.

INTERNAL CONTROL SYSTEM

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

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

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

The tables below show the total number of completed reports to date from both Wyre Council and Mazars during 2015/16 and the overall audit opinion / level of assurance that was given and also the total number of audits where the report is still at the draft stage.

Wyre Council Reports

Audit Opinion	Excellent	Good	Fair	Weak	Poor	Draft	Total
Number of Audits	1	7	1	0	0	3	12

Mazars Reports

Level of Assurance	Substantial Assurance	Adequate Assurance	Limited Assurance	No Assurance	Still in draft	Total
Number of Audits	2	3	0	0	0	5

No reports have been issued for the follow-up review of 2014/15 audit recommendations and the RIPA inspection work. Further details of the work carried out in these two areas can be found in the summary of audit work performed earlier in this report.

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

It is pleasing to note that only one audit has been issued an audit opinion of 'fair', and that the actions that management have agreed in response to the findings will, if implemented satisfactorily, resolve the issues in an appropriate manner. No areas reviewed have fallen into the audit opinion of 'weak' or 'poor' (Wyre Council), or 'limited' or 'no assurance' (Mazars) and therefore it is the opinion of the Chief Internal Auditor (Head of Governance) that the Council continues to maintain an adequate and effective control environment with no significant control issues identified that require disclosure in the Council's 2015/16 Annual Governance Statement.

It should be noted that at the time of publishing the Annual Audit Report there were still three reports that were still at 'draft' stage, however the draft reports contain no significant issues that would change the overall audit opinion.

RISK MANAGEMENT PROGRESS REPORT – OPERATIONAL RISKS

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

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

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

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

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



Wyre Council - Audit and Risk Management

STRATEGIC RISK REVIEW

7 March 2016

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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
- Philippa Davies – Corporate Director of Resources
- Marianne Hesketh – Service Director of Performance & Innovation
- Mark Billington – Service Director of People & Places
- Mark Broadhurst – Service Director of Health & Wellbeing
- Joanne Billington – Head of Governance
- Cllr L McKay – Audit Committee Chairman
- Management Board

1. Introduction

- 1.1 On the 7 March 2016 a strategic risk management assessment was facilitated by the Senior Auditor for Wyre Council in accordance with the council's annual risk management process.
- 1.2 This exercise involved both the current and future members of the Corporate Management Team, Head of Governance and Councillor McKay in her role as the Chairman of the Audit Committee. The session provided an opportunity to review the existing strategic risk register for Wyre Council and to identify and prioritise any new risks facing the Council in its delivery of its business plan for 2016/17.

2. Executive Summary

- 2.1 The last half yearly review of the strategic risk register was completed in October 2015 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 4 new risks and concluded that 2 of the original 7 risks could be removed from the register. (Appendix D describes the risks and the reason for their removal from the register). The 5 risks remaining from the original register were reviewed in terms of likelihood and impact resulting in 4 retaining the same rating and 1 being amended.
- 2.3 A review of the risk appetite was completed resulting in the low likelihood and critical impact risks remaining below the risk appetite. There are now 5 risks above the risk appetite and 4 risks below. In addition, a decision was taken to reduce the size of the risk matrix from a 6 x 4 to a 5 x 4 matrix removing the very high likelihood category. As a result of this change the highest rated risks would therefore be equal to a catastrophic impact and a high likelihood. The completed matrix is shown in Appendix A – Risk Profile.
- 2.4 Following the assessment the 5 risks above the risk appetite are as follows:

Audit & Risk Management – Strategic Risk Review 2016

Risk Number	Description
18	Central government funding is insufficient to provide the current level of service.
23	The efficiency programme is insufficient to meet the funding gap identified in the latest financial projection.
26	The use of council assets is not maximised leading to insufficient funding to deliver capital projects and further cost pressures.
35	Three Senior Members of the current senior leadership team will leave the organisation early in 2016/17 resulting in a loss of knowledge and increased expectations on those remaining.
38	The Local Plan is delayed due to the lack of response from other statutory consultees.

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

3.0. Approval

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

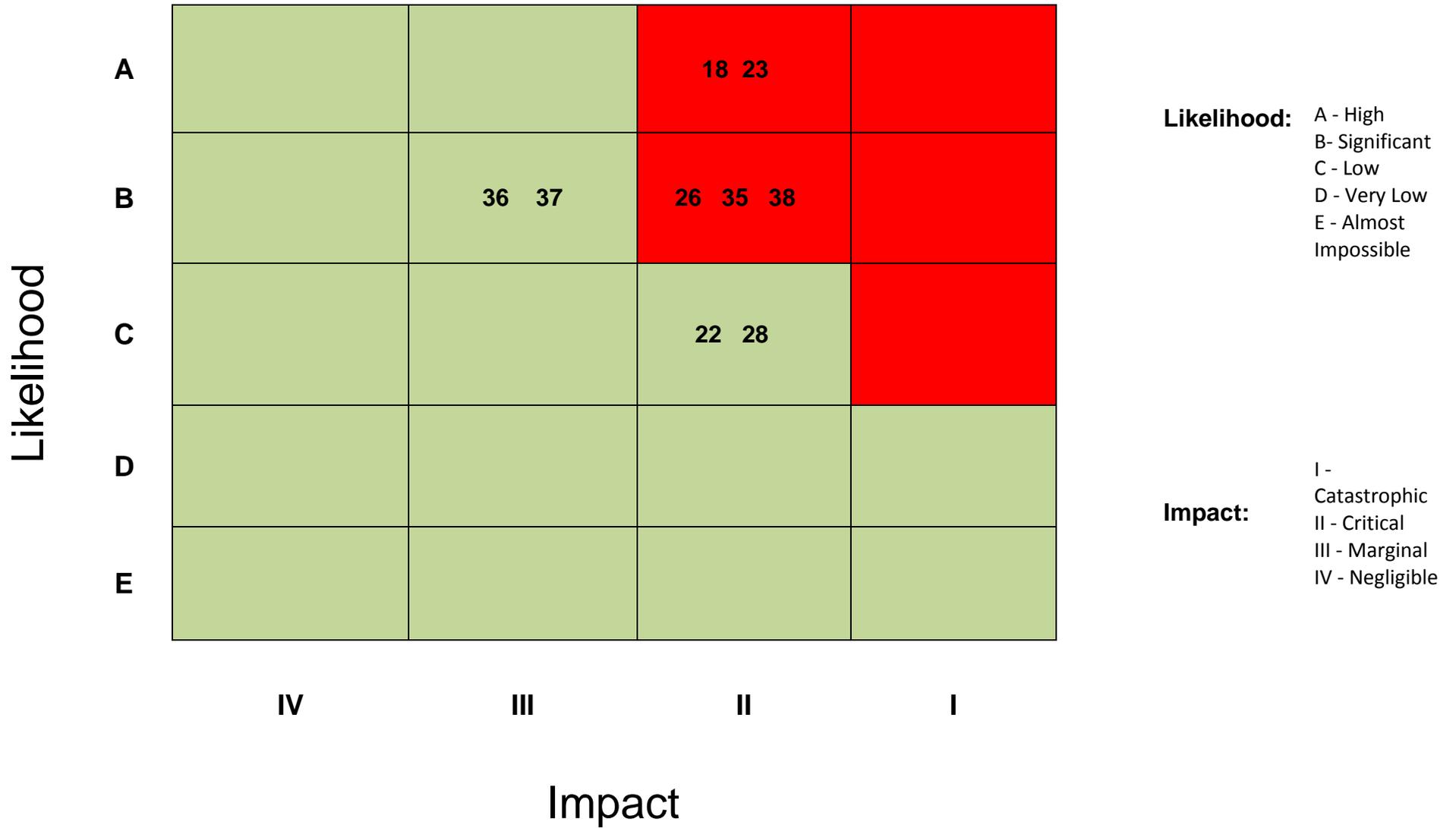
4.0. Monitoring

- 4.1 Reviewing or monitoring of risks is twofold. Firstly the action plans to manage the risks should be regularly monitored and secondly the risks above and below the line should be reviewed in terms of their position on the matrix. Quarterly reviews of the action plans will be completed to demonstrate that risks above the appetite are being actively managed, with a half yearly review of all risks being completed in October 2016.

5.0. Directorate operational risk registers

- 5.1 In accordance with the council's risk management processes, a review of the directorate operational risk registers will also be undertaken in April / May 2016 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 2016/17.

Appendix A - Risk Profile



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 provide the current level of service.	Funding for the 4 years commencing 2016/17 has been announced but there continues to be a funding gap in 2019/20 of £3m.	<ul style="list-style-type: none"> • Further savings will need to be identified • The 4 year business plan may need to be reviewed in accordance with resources available • Negative impact on staff resulting from uncertainty about the future 	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"> • Additional savings / cuts in services will be required • Members trust in the Management Team and the SLT to deliver future savings will be affected • The impact of further reductions in government grants will be exacerbated 	Management Team
26	Critical / Significant	The use of council assets is not	Future capital investment is dependent on capital receipts from the sale of council assets.	<ul style="list-style-type: none"> • Additional savings / cuts in services will be required. 	M Hesketh

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		maximised leading to insufficient funding to deliver capital projects and further cost pressures.		<ul style="list-style-type: none"> • Additional borrowing costs will exacerbate the funding gap • Assets will deteriorate and maintenance costs will increase • Resident satisfaction levels will reduce 	
35 (New)	Critical / Significant	Three Senior members of the Senior Leadership Team will leave the organisation in 2016/17 resulting in a loss of knowledge and skills and increased expectations on those remaining.	The newly appointed Service Directors are retaining responsibility for their own service areas in addition to becoming members of the Corporate Management Team and responsible for strategic management.	<ul style="list-style-type: none"> • Loss of knowledge and experience • Capacity issues / increased expectations • Cultural change for the organisation • Ongoing challenges financially • Longer lead in to the delivery of efficiency savings • The management team will take time to develop effective working arrangements / build relationships 	Management Team
38 (New)	Critical / Significant	The Local Plan is delayed due to the lack of response from other statutory	The Council is required to publish a Local Plan and timescales for completion have been published.	<ul style="list-style-type: none"> • Reputational issues will arise • Further costs will need to be incurred • The Council may be 	Garry Payne

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence	Risk Owner
		consultees		subject to 'special measures' imposed by the DCLG	

Appendix C - Risks below the appetite

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
22	Critical / Low	The leisure review does not generate the required rate of return for 2015/16.	The council agreed to spend significant sums redeveloping the Poulton and Thornton leisure centres to meet the needs identified in the public consultation exercise. Whilst professional external advisors have helped to specify the facility mix, the take-up is not guaranteed and the income and expenditure projections may not be achieved.	<ul style="list-style-type: none"> • Expenditure is higher than expected • Efficiency savings projected are not realised • Income falls short of the target
28	Critical / Low	The Local Plan is declared unsound delaying its implementation.	The Council is required to adopt a Local Plan which must be tested at an inspection prior to adoption.	<ul style="list-style-type: none"> • Further costs will need to be incurred • Unwanted development will be hard to defend • Legislation / guidance may change requiring the exercise to be repeated at significant cost to the taxpayer
36 (New)	Marginal / Significant	The Government is keen to see further devolution which will impact on capacity as new methods of working are	There are a number of devolution deals being negotiated across the country and in Lancashire there are ongoing discussions about combined authorities and unitary status.	<ul style="list-style-type: none"> • Council priorities are not delivered • Allocation of resource may not ultimately result in the desired outcome

Risk Number	Risk Score	Risk Description	Vulnerability	Consequence
		explored.		
37 (New)	Marginal / Significant	Enhancements cannot be delivered due to the lack of external grant funding.	The Council is reliant on external funding to significantly improve its offer with recent examples including improvements to Cleveleys and Rossall Sea Defences, Heritage Funding for Memorial Park and The Mount and Coastal Communities funding delivering the 5 for Fleetwood scheme.	<ul style="list-style-type: none"> • Lack of capital investment • Declining visitors numbers • Increased repair and maintenance costs • Declining resident satisfaction levels

Appendix D - Risks removed from the register

Risk reference per TEN	Reason for removing from register	Risk Description	Vulnerability	Consequence
16	<p>The Council plays an active part in the Wyre and Fylde Health and Well-being partnership. An Overview and Scrutiny task group also recently considered the effectiveness of the CCG's in relation to local residents, making relevant recommendations (O&S 7/12/15).</p> <p>A decision will be made at the operational risk workshop if this risk will feature.</p>	<p>The public health reforms have seen the transfer of the public health role to the County Council and the creation of clinical commissioning groups supported by health and well-being boards. Residents in the Wyre Area will be represented by four such groups depending on where they live. Great Eccleston residents will be represented by the Preston CCG, Garstang by the Lancaster CCG, Cleveleys by the Blackpool CCG and the remainder by Fylde & Wyre CCG.</p>	<p>The opportunities following the changes to both health and clinical commissioning groups are not exploited to improve the services we provide to our communities</p>	<ul style="list-style-type: none"> • The health needs of our residents are not met • There is a reduction in the support previously received via specific funding e.g. exercise by prescription • Funding is not passed down by the CCG to fund the provision of council services resulting in cuts to services

Risk reference per TEN	Reason for removing from register	Risk Description	Vulnerability	Consequence
32	A revised council structure will be implemented in 2016/17 resulting in three senior members of the current SLT leaving the council. This risk has now been replaced – see risk 35.	The reduction in funding for local government is coupled with increasing public expectations meaning that there will be a growing gap between expectation and reality.	There is insufficient capacity within the senior leadership team to deliver customer expectations.	<ul style="list-style-type: none"> • Satisfaction levels with services will decline • Increased level of complaints • Staff satisfaction with Wyre as an employer will decline • Reputational issues for the Council