

Thank you Chairman

Before I get into the detail of my statement, I would like to take this opportunity to thank a number of people here at Lancaster. The Audit Committee, in particular the Chairman, the current and previous Section 151 Officers (Paul, Dan and Nadine), our External Auditors, especially Paul Hewitson and finally my Principal Auditor; Dawn. Thank you for all your continued support over the last four years.

It's not been an easy task coming into the organisation one day a week, having to hit the ground running, getting up to speed with the week's events and then cracking on with the day job – and I couldn't have done this without all your support and encouragement. So thank you. I would also like to thank your opposite numbers at Wyre who have similarly helped me to maintain services there in order to allow this arrangement to continue beyond what we thought with Nadine would be just a couple of years.

This statement also gives me the opportunity to provide what I hope will be a useful position statement as the outgoing Chief Internal Auditor.

Reflecting on the past four years has, for me highlighted the success of the partnership with Wyre Council and the high standard of the work of internal audit. It has also focused my awareness on the work that is still ongoing and I would like to draw the committee's attention to the areas that need to be kept under review going forward.

At the moment I am preparing my annual overall opinion for the year ending 31 March 2021, which I will be sharing with the Section 151 officer and the External Auditor on my departure. This will provide the committee and the incoming Chief Internal Auditor a more detailed account of my opinion of the council's risk management, internal control and governance arrangements across the organisation.

What started off as an interim arrangement back in May 2017 following the retirement of the Audit and Assurance Manager, it was agreed with the Section 151 Officer and the Audit Committee that owing to the success of the shared arrangements a more permanent contract would be put in place. However owing to my recent promotion, I am now needed back at Wyre full time to manage additional services, therefore the shared chief internal auditor post arrangements will come to an end on the 31 March 2021.

The shared Chief Internal Auditor post has benefited both authorities, allowing an opportunity to learn from each other, share best audit practices and benchmark similar council services.

There have been challenges though. Through natural wastage the Internal Audit Team has significantly reduced over the last four years, reducing from four full time equivalents in 2017 to now only 1.2 full time equivalents. The reduced in-house team has been bolstered by employing Lancashire County Council, Fylde Borough Council and also more recently, Merseyside Internal Audit Services to undertake key pieces of work.

Unfortunately owing to the on-going pandemic and the limited internal audit resources across Lancashire, understandably I was unable to secure any assistance to help deliver the 2020/21 audit plan.

It is unclear at the moment whether the same issue will arise in 2021/22 as we are still in the response phase of the pandemic. It should be a key priority of the organisation to ensure that service continuity is established as soon as possible and a replacement Chief Internal Auditor arrangement is found as this position is critical to the effective control environment at the council.

I have offered to provide a handover to any incoming Chief Internal Auditor and this position statement and my annual overall opinion is intended to support that process.

One of the challenges that I and the S151 officer face each year is ensuring that there is sufficient audit coverage across the organisation allowing an overall audit opinion to be made in respect of the council's control environment. Given our limited resources and the omission of risk registers across the organisation, myself and Dawn looked for other ways to gain our assurance, to allow the overall audit opinion to be delivered.

In late 2018, Assurance Mapping Declarations were introduced which allowed more targeted audit work to be completed and also helped avoid any duplication with other inspection regimes. This new and innovative approach was borne out of the limited risk management regime at Lancaster and the modest resources in the internal audit team but still allowed a more accurate internal overall audit opinion to be provided.

Whilst the External Auditors and the Section 151 officer have been comfortable with this approach, I would encourage the Audit Committee to review the current internal audit resources going forward, giving consideration to increasing the internal audit provision, to allow the internal audit team to respond positively to the additional workload that the development of the risk registers should generate.

Overall internal control across the organisation will be reported as being adequate and effective in my annual opinion and whilst the on-going pandemic has impacted the amount of work we have been able to complete this year, we are in the process of drawing on assurance statements to give us that additional assurance in relation to the areas we have not been able to review.

As previously reported to the Committee in November, a piece of work was completed in October in respect of the controls, systems and processes in the HR team. A comprehensive action plan was formulated and accepted by the Director of Corporate Services and I understand that a full service review is underway which will address the 35 recommendations made. However as yet, neither internal audit, the Section 151 officer nor the Audit Committee Chairman have seen a completed action plan.

The Committee should note that the draft Audit Plan you approved tonight includes a piece of work in the first quarter to review the progress made in this area and I would **strongly** encourage the S151 officer and the Audit Committee to ensure that this piece of work is completed at the earliest opportunity.

Whilst only contracted to work one day a week as the Chief Internal Auditor providing support to the in-house team, given my responsibilities and expertise at Wyre Council, I was soon asked to add Risk Management and the production of the Annual Governance Statement to my duties.

Whilst I have done my best over the past four years, it has been a significant challenge trying to contribute and improve the current processes whilst also trying to retain my independence to allow me to make an opinion on the effectiveness of these arrangements.

It's important going forward that the Committee keep a close watch on where the administration of Risk Management and the production of the Annual Governance Statement sits and that future arrangements allow internal audit to remain as independent as possible of both areas.

As the Committee will recall over the last four years, there have been a number of reasons why progress in relation to Risk Management has been slow. However I do feel the organisation is finally starting to make some progress, particularly with operational risk. The Risk Management Policy has been approved, risk management software has been purchased to relieve the administration burden on risk owners and the operational risk registers are starting to be populated across the organisation.

I have already shared my concerns with you tonight about the strategic risk register and I am hoping that the new Director will champion this in the future allowing the register to constructively shape internal audit work in the coming months.

Going forward, I would encourage the Committee to continue to push for the improvement of risk management by requesting progress reports to be brought to each committee, which will allow you to continue to discharge your responsibilities in relation to risk.

Looking ahead to what's around the corner for Internal Audit - The next PSIAS peer review is in 2023, so this gives the organisation a little breathing space to ensure effective internal audit arrangements are in place well before then. The last review in March 2018 was very positive and it concluded that the Internal Audit Service 'conformed' to best practice'. It is important that the organisation aims to maintain this high standard at the next review, and it will need effective arrangements in place in order to do so.

The 2018 peer review relayed some really positive feedback about the Internal Audit Team and reported that the Team did add value to the governance of the organisation and also to the systems of internal control. The external assessment team also made reference to Chief Officers and Managers stating how my role in particular was having a positive impact on the development of internal audit team members and also in respect of service delivery.

Only minor observations were made and having re-read the report in preparation for my departure, there is a concern that some of the issues raised back in 2018 are still 'live' and need to be resolved prior to the next review. For example it was

commented on that the annual audit plan was being based on internal audit professional knowledge and judgement and that there was a lack of communication and involvement from senior management relating to the corporate priorities and corporate risks.

I have already covered this tonight when presenting my Audit Strategy and I am hoping given the work being carried out in relation to risk, the next peer review team will see an improvement here. The Committee will need to help ensure that this momentum is built upon to avoid any stalling if there are delays to strengthening what remains of the internal audit service.

I currently sit on Lancashire's PSIAS moderation panel; so I am very much looking forward to seeing and hearing how the council delivers the service in the future and builds on the improvements made over the last four years.

I want to finish off by wishing the audit team and wider colleagues here at Lancaster lots of luck for the future and I am sure that whilst challenging times lie ahead, there will be exciting opportunities for growth and development. Given we Auditors move in the same circles, and my offer of a handover session, I will look forward to catching up with your new Chief Internal Auditor in the near future and I wish them and the organisation every success.

Thank you