



Audit and Risk Management Committee
Monday, 18 November 2019

REPORT TITLE:	INTERNAL AUDIT UPDATE
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st September to 31st October 2019. There are five items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 3.2.

RECOMMENDATION

That the report be noted.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified by CIPFA and the CIIA.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1. Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely bi-monthly basis. This report supports these arrangements by focussing on the following:

- Any items of note arising from audit work conducted,
- Any issues arising that require actions to be taken by Members,
- Performance information relating to the Internal Audit Service,
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report is for the period 1st September to 31st October 2019.

3.2. Items of Note

3.2.a Wirral Health and Care Commissioning

We have recently started a joint review with Mersey Internal Audit Agency. The objective of the joint audit review is to provide assurance that Wirral Health & Care Commissioning (WH&CC) has robust and effective arrangements in place to manage their financial and governance risks within the pooled funds. The audit will focus on:

- the arrangements in place to mitigate key finance risks;
- the effectiveness of the new governance and risk management arrangements including processes in place in relation to the risk sharing agreement;
- Contract Management arrangements;

- Financial and performance reporting as part of the WH&CC governance structure.

The outcome from the review including findings and any actions required will be notified to this Committee in due course.

3.2.b Personal Finance Unit

The Personal Finance Unit (PFU) sits within the Transaction Centre and provides a service to the Department of Adult Care & Health. They are responsible for calculating financial assessments to determine a client's ability to pay towards their care and recovering outstanding debts in respect of those charges under the Care Act 2014. A review of PFU was completed by Internal Audit in late 2018 and the final report included a number of findings and audit recommendations that were agreed in order to improve the effectiveness of the operations. Two high priority recommendations were included that related to:

- An evaluation of the terms of reference and operation of the Debt Panel.
- A review of the roles and responsibilities within the Service Level Agreement dated October 2016 in light of the significant transformations and reorganisation of responsibilities for adult social services.

An audit has been conducted as part of the Internal Audit Plan for 2019/20 to review those key risks previously identified for the Personal Finance Unit. The focus of this audit was to assess the progress made in implementing the previously agreed recommendations and to evaluate any further risks to the Authority.

The conclusion from this review was that the findings identified in our previous report have been considered and significant progress has been made in implementing all the agreed recommendations. The following actions have been taken in respect to the two high priority recommendations:

- A review of the membership, governance and structure of the Debt Panel has been completed and a new Terms of Reference implemented.
- A robust overarching Service Level Agreement has been developed for the PFU operation that is currently in a joint approval process by: Customer Services; Wirral Health & Care Commissioning / Delegated Social Work Providers (WCFT & CWP); and Legal Services.

3.2.c Health Safety and Wellbeing

Internal Audit are represented on the recently established Health, Safety and Wellbeing Board which is chaired by the Interim Chief Executive. The role is to provide ongoing advice and views based on audit experiences and cumulative knowledge and to target specific audit assurance work in the future to ensure the Council and its partners are doing everything that is reasonably practical to mitigate risk in this high-profile area. The initial piece of audit assurance work will be

commenced before the end of the calendar year and will be scoped in conjunction with the Head of HR and the Health, Safety and Wellbeing Manager.

3.2.d Windows10 Rollout Project

An audit has been completed to review the effectiveness of the systems in operation to manage this important corporate initiative. The findings of the review indicate that in our opinion, the target date for completion is not likely to be achieved based upon current deployment rates unless action is taken. Overall the report identifies seven recommendations that include three of a high priority nature to improve systems in operation that relate to the following:

- Resourcing the project.
- Stock management.
- Purchasing Arrangements

Actions have been agreed with management to address the findings and an action plan including timescales for implementation prepared. Internal Audit will continue to monitor progress in this area and report the findings to this Committee.

3.2.e Counter Fraud Publicity Campaign

Internal Audit will be coordinating a week-long **Fraud Awareness Campaign** aimed at both members of the public and staff members which will commence on the 11 November 2019. The campaign is a collaboration between the IA Counter Fraud Team, Benefit Investigation Team, Insurance and Risk, Publicity and Human Resources. The campaign is scheduled to coincide with the International Fraud Awareness week and has also involved collaboration with other Mersey Region Authorities.

The aim of the week is to heighten members of the public and employees awareness of the scale, nature and impact of fraud in the public sector and the signs to look out for, as well as directing individuals to reporting procedures and processes. In addition, staff members are encouraged to complete the fraud awareness e-learning course which provides additional information including how to identify and report potential fraud. Members are requested to support this initiative in the usual manner.

3.3 Audit Recommendations

- 3.3.a A list of internal audit activity over the reporting period is attached at Appendix 1 detailing the audits completed and identifying opinions provided and a current BRAG (blue,red,amber,green) rating indicating the current status of the report and progress being made by officers to address identified issues.
- 3.3.b There are currently a number of actions identified in audit reports for this period that are in progress and where implementation timescales have been extended to accommodate operational issues identified by clients. These reports predominately cover issues relating to information management and governance and are being actioned by Digital Services. Follow up audit work is currently being undertaken with

managers to establish the current position with regards to these and a comprehensive position statement will be provided in my report to this Committee in January 2020 with an identification of any actions required by Members:

- Digital Information Storage
- GDPR
- Information Asset Owners

3.4 Internal Audit Performance Indicators

3.4.a The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. These include delivery of the annual Internal Audit Plan and ensuring that all of the audits identified in the plan are completed on schedule. This is particularly important

at the present time as the requirement for Internal Audit involvement in a number of important corporate initiatives has increased dramatically.

IA Performance Indicator	Annual Target	Actual % Delivery to date
Percentage delivery of Internal Audit Plan 2019/20.	90	40
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90	100
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	98

3.4.b There are currently no significant issues arising.

3.5 Internal Audit Developments

3.5.a Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such a Continuous Internal Audit Improvement and Development Plan is in operation that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge

how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include:

- Ongoing development of risk management function and corporate risk register including the appointment of a Risk and Continuity Manager from October 2019 reporting to the Chief Internal Auditor;
- Ongoing improvement of corporate counter fraud awareness across the Council as evidenced in Counter Fraud Update reports presented to this Committee and forthcoming publicity campaign;
- Continuing development of more automated working papers and reports to evidence and support audit findings;
- Continued ongoing development of the Mersey Region Counter Fraud group led by Wirral Internal Audit to include more joint fraud exercises and training across the local region and the North West of England;
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning and risk management process;
- Ongoing development of performance management and reporting database with enhanced reporting;
- Ongoing improvements to the audit reporting format;
- Development of Traded Services offer to Academy Schools for Internal Audit services;
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services
- Improvements to Maintained Schools audit provision through development of risk-based work programme;
- Ongoing development of client feedback through utilisation of survey monkey.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

8.0 ENGAGEMENT/CONSULTATION

8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

10. ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising from this report.

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APPENDICES

Appendix 1: Internal Audit Activity Summary

BACKGROUND PAPERS

Internal Audit Plan 2019/20

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Routine report presented to all meetings of this Committee.