

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

18 MARCH 2015

<b>SUBJECT:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>KEY DECISION ?</b>	<b>NO</b>

### 1.0 EXECUTIVE SUMMARY

1.1. This report identifies and evaluates the performance of the Internal Audit Section and includes details of any issues arising from the actual work undertaken during the period 1 January to 28 February 2015. There are four items of note concerning audit work undertaken that are brought to the attention of the Members for this period and this is identified at Section 2.2.

### 2.0 BACKGROUND AND AUDIT OUTPUT

2.1. 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 1 January to 28 February 2015.

#### 2.2. Items of Note

##### 2.2.a Scrutiny

An audit review of the Council's Scrutiny arrangements has revealed a positive position in this area of governance, with effective member involvement, thorough well-evidenced reviews being performed, appropriate reporting lines and a process for monitoring of recommendations emanating from the Scrutiny reviews undertaken.

##### 2.2.b Risk Management

An audit has been conducted of the Risk Management system. The review supported and complemented the piece of work undertaken earlier in the year

that was focused very much at a strategic level. The findings/recommendations were aimed at the corporate Risk and Insurance Officer with a view to being able to provide the corporate steer for risk management arrangements across the organisation. As such, the work also supports the corporate Risk and Insurance Officer as part of addressing the outcomes of the recent CIPFA Benchmarking exercise.

The audit focussed on:

- The processes for monitoring and reporting on risks within directorates and as part of key projects.
- The understanding and undertaking of roles and responsibilities.
- The utilisation and understanding of corporate guidance.
- Efficiency and effectiveness of controls.

The overall organisational risk opinion for the audit was Moderate - the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to moderate risk.

There were many areas of good practice identified across the Directorates, and ten recommendations were made suggesting improvements in the corporate system and how this is implemented in Directorates. There were no high priority recommendations arising, but the five medium priority recommendations related to:

- Completion of all details on the risk register template including target scores.
- Production of service risk registers for all areas.
- Reporting of risk information.
- Recording changes to the risk registers.
- Challenge to the risk scores presented.

A positive response to the recommendations has been provided by the corporate Risk and Insurance Officer who has agreed to implement the recommendations in conjunction with the Directorates.

Further work is scheduled in this area during 2015/16 to evaluate progress made to implement agreed actions and the outcome of this will continue to be reported to this Committee.

### 2.2.c Better Care Fund

An audit was conducted of the Better Care Fund (BCF). This is a government scheme which requires Local Authorities to work with their local Clinical Commissioning Group (CCG) to devise, submit and (upon approval) implement plans to work more closely together so as to improve patient experience and outcomes. The scheme introduces a pooled budget funding regime which also incorporates a reward element, dependent upon the achievement of agreed targets in reducing non-elective hospital admissions. The Wirral BCF submission was “approved with support” in October 2014 and implementation begins in April 2015.

The objective of the audit was to provide assurance that the arrangements in place for the implementation of the Better Care Fund from April 2015 are robust. This concentrated on the risks to Wirral Council.

There is a significant amount of work ongoing to determine the detailed operating arrangements to be utilised from April 2015 onwards. For this reason, formal recommendations were not included within the report, but attention was drawn to areas that require completion prior to the full implementation of the Better Care Fund schemes. These were:

- Completion of the work on performance monitoring
- Development of the performance dashboard
- Development of the s75 agreement, following a decision on whom will host the pooled budget
- Continued consideration of the Better Care Fund risks, and escalation to the Corporate Risk Register if risk scores increase
- Completion of detailed financial modelling in relation to the Better Care Fund schemes
- Development of the arrangements for information governance
- Finalisation of staffing arrangements to accommodate seven day working
- Processes in place so as to allow for remedial action to be taken in the event of the underperformance of a provider.

The overall organisational risk opinion was Moderate - The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to moderate risk.

Further Internal Audit work will be undertaken post-April 2015 so as to review the effectiveness of these arrangements once the schemes are in operation.

#### 2.2.d Data Loss Prevention

Data loss prevention (DLP) is a specific term for a strategy for making sure that end users do not send sensitive or critical information outside the corporate network. The term is also used to describe software products that help to control what data users can transfer. For example, it may be acceptable to send some types of information to a 3<sup>rd</sup> party via standard email, but more sensitive information may need to be sent by more secure means, eg encrypted email.

Wirral's Information Asset Owners (IAO) are in the process of completing the Information Asset Management Tool (IAMT) for each Information Asset. The IAMT helps IAOs to determine and document the criticality and sensitivity of the information, the associated risks, and any restrictions on how the information can be shared. Information gathered through the IAMTs will be used to inform Wirral's DLP implementation. For example, by ensuring that sensitive information cannot be saved to removable media, or that secure email is available to all staff who need it. The Information Governance Board chaired by the Strategic Director for Transformation and Resources is

currently overseeing work being undertaken in this area to develop effective policy and procedure. Internal Audit also has a standing representative on this board and provides ongoing input to work in this area.

#### Information Security Incidents:

An information security incident refers to any event that may compromise the confidentiality, availability or integrity of Council information. This includes the loss of or damage to any ICT equipment that stores or processes Council information or the disclosure of information to someone not authorised to see it. Wirral Council's Information Security Policy requires all staff to report possible information security incidents so that remedial action can be taken and the possibility of similar events occurring again are reduced. Many reported incidents can be regarded as a "near miss" where an incident was reported but there is no evidence that information was compromised, eg if the lost asset was subsequently recovered.

The Information Governance Board oversees and monitors all information governance and security activity and directs ongoing work to avoid these type of issues arising through the development of a corporate culture whereby officers are provided with best practice guidance through the Information Security Policy and are actively encouraged to report any incident of this nature. The designation of a Senior Information Risk Officer and Information Asset Owners, and the development of an infrastructure for the promulgation of good practice, has created a robust information management framework to reduce the occurrence of information security incidents, together with clear reporting and response procedures for when they do occur.

All reported information security incidents are recorded, categorised and investigated, and actions are taken to reduce the likelihood of a similar incident occurring again. In 2014, there were no formal referrals to the Information Commissioner. However there were a number of reported security incidents and near misses that related to subjects including:

Email – eg incorrect recipients (internal); suspicious emails received by Council staff.

Loss of physical device – eg: encrypted USB stick.

Printing – information not collected promptly from a printer.

By encouraging staff to report all information security incidents, including "near misses", it is possible to target resources in the areas which will have most effect. For example, by configuring printers so that information is not printed unless a PIN is entered, encrypting all laptops, and sending regular security reminders to staff.

The Information Governance Board regularly reviews information security incident reports so that appropriate action can be taken to address emerging risks.

## 2.3 Outstanding Audit Recommendations

2.3.a Attached at Appendix 1 is a table identifying information relating to those audits where recommended actions included in audit reports for the 2014/15 year to date have not currently been implemented.

2.3.b Where items are addressed by officers those entries will be removed from the report on a rolling basis. At the request of Members the date of the original audit as well as the date of the follow up audit has now been included in the table where relevant.

2.3.c All of the reports identifying outstanding actions are RAG rated as ‘amber’ indicating that progress is being made to address identified issues.

## 2.4 Internal Audit Performance Indicators

2.4.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	Target	Actual
Percentage delivery of Internal Audit Plan 2014/15.	92	89
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating satisfaction with the Internal Audit service. (Numbers returned indicated in brackets)	85 (22)	100 (26)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	98

2.4.b There are currently no issues arising.

## 2.5 Internal Audit Developments

### 2.5.a Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such the Internal Audit Improvement Plan has been revisited and updated to incorporate the findings from the self assessment exercise recently undertaken to evaluate the service against the new Public Sector Internal Audit Standards. A separate update on this was presented to the Committee at the previous meeting and further updates will continue to be provided as progress is made.

Some of the actions taken during the year include

- The implementation of revised audit reporting arrangements incorporating opinions on systems, compliance and organisational impact; further developments are currently taking place in this area,
- The introduction of Letter of Engagement for all audits,
- The introduction of a Training and Development Program for audit staff,
- Developed reporting arrangements for Chief Officers and Members,
- The implementation of a three year Strategic Internal Audit Plan directly linked to the key corporate priorities,
- Improved engagement with Chief Officers, managers and Members,
- The introduction of enhanced escalation procedures for audit issues identified,
- Improved reporting arrangements for ARMC members including bi-monthly RAG rated update reports,
- Significantly restructuring and refocusing the service in line with other best practice providers,
- The adoption of a new Code of Ethics for Internal Audit.
- The development of a Mersey region Counter Fraud group led by Wirral Internal Audit.
- Completion of new Public Sector Internal Audit Standards self-assessment exercise.

### **3.0 RELEVANT RISKS**

- 3.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 3.2 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.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 No other options considered.

### **5.0 CONSULTATION**

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

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 6.1 There are none arising from this report.

### **7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 7.1 There are none arising from this report.

### **8.0 LEGAL IMPLICATIONS**

- 8.1 There are none arising from this report.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There is no relevance to equality.

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are none arising from this report.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are none arising from this report.

## **12.0 RECOMMENDATIONS**

12.1 That the report be noted.

## **13.0 REASON FOR RECOMMENDATION**

13.1 To provide the Members with assurance that the Council is taking appropriate measures to comply with statutory requirements to provide an adequate and effective internal audit service.

13.2 To ensure that risks to the Council are managed effectively.

13.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

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## **APPENDICES**

Appendix 1: Audit Recommendations Status Report

## **REFERENCE MATERIAL**

Internal Audit Plan 2014/15

## **SUBJECT HISTORY (last 3 years)**

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