



Audit and Risk Management Committee
Tuesday 22 November 2016

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 2016. There are 4 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

Members note the report and take any appropriate actions due.

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 in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

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 2016.

3.2. Items of Note

3.2.a Cyber Security

An audit has been conducted of the Council's Cyber Security position as it is widely acknowledged that effective controls in this increasingly high risk area are vital to public bodies as they are in the front line of the cyber criminal's targets and across the sector have recently experienced a dramatic increase in this type of activity.

HM Government (Department for Business Innovation and Skills) has recently produced a cyber-essentials scheme, which provides basic accreditation controls to reduce the risk of a successful attack. This audit concentrated upon establishing whether or not the Council has the necessary controls in place to reduce the risk of such an attack.

The conclusion from the work undertaken is that Wirral has controls in place to address some of the business risks reviewed, however a number of areas were identified for improvement to address emerging risks and a 'Moderate' overall risk to the organisation identified along with various associated actions agreed with senior managers to strengthen the overall control environment in the following areas:

- Firewalls
- Vulnerability Monitoring
- Rogue Wireless Access Points
- Information Risk Register
- Information Security Training
- Cyber Insurance

It is acknowledged that IT Services is currently in the process of improving its information security risk management regime and work is in progress in a number of areas. Consequently some of the actions identified in the report have been classified as Low rather than Medium risk to reflect this, however if actions are not completed effectively then the classification will increase accordingly.

3.2.b Prepaid Cards – Local Welfare Assistance Scheme

An audit has been conducted to ensure the risks associated with the prepaid card system have been appropriately addressed. Prepaid cards replace cash in situations where the Council is giving money to a customer and are used to make Local Welfare Assistance (LWA) payments.

The scope of the audit was to evaluate the adequacy of the controls in mitigating the identified risks associated with the system, including areas of concern highlighted by the Housing Benefit Manager and Business Support Manager.

A number of additional measures and controls were agreed with management following the audit in order to enhance the control environment of the system and these have been implemented with immediate effect. In addition a significant number of issues were identified in respect to the service provided by 'allpay' Limited which have adversely impacted on the effectiveness of the prepaid card operation for the LWAS. It has been agreed that these issues will be raised directly with representatives of the company and Internal Audit will continue to provide support to the Business Support and Housing Benefit Managers in resolving these issues moving forward.

3.2.c Performance and Management Planning

An audit is currently being undertaken to assess progress made by management to implement actions arising from the previous audit review of the corporate planning and management system undertaken earlier this year. The review will involve testing a sample of operational performance indicators and indicators from the Wirral Plan in order to assess the robustness of data quality. In addition, an overview assessment of the operational arrangements

implemented this year to support the delivery of the Wirral Plan: A 2020 Vision will be completed as part of the exercise. Members of this Committee will be advised of the outcome of this work and any actions arising upon its completion.

3.2.d Children's Services

An audit has recently been commissioned as part of the Children's Services Improvement Plan to evaluate and test data quality across a number of performance indicators currently in operation. The aim of the review is to establish the efficiency and effectiveness of current arrangements and their ability to accurately and appropriately inform management actions to ensure continuous performance improvement in this critical area of operations. The findings from this piece of work including identified development actions will be included within the Improvement Plan and reported to senior managers and Members.

3.3 Outstanding Audit Recommendations

3.3.a Attached at Appendix 1 is a table identifying information relating to those audits where recommended actions included in audit reports for 2015/16 and the current year to date have not yet been fully implemented. Following discussion at the previous meeting of this Committee in September 2016 some changes have been made to the format of this report to reflect a request made by Members that includes the addition of new column to identify the revised Organisational Risk Opinion after follow up work undertaken to clearly indicate the direction of travel of the risk and some additional narrative regarding outcomes.

3.3.b Where items are addressed by officers those entries are removed from the report on a rolling basis.

3.3.c All of the reports identifying outstanding actions are currently RAG rated as 'amber' indicating that progress is being made to address identified issues. A small number of items included on this attachment however have had their organisational risk opinion provided at the time of the audit adjusted after the completion of follow up audit work. These include:

Resource Link – upgraded from 'Moderate' to 'Major' risk opinion (P.4);

Direct Payments – downgraded from 'Major' to 'Moderate' risk opinion (P.6);

MPF Members – downgraded from 'Minor' to 'Negligible' risk opinion (P.6);

3.3.d A number issues relate to audits undertaken within ITS and were the subject of a previous report to this Committee by the Chief Information Officer in 2015, outlining actions being taken and providing Members with necessary assurances that risks in these areas were being managed effectively. A number of these actions remain outstanding and a further update for Members on the current position should be considered.

3.3.e Outstanding actions relating to Organisational Culture, Corporate Procurement and Business Continuity/Disaster Recovery are now included on

the Governance Issues Action Plan agreed with senior management and its implementation is currently being overseen and monitored by the Corporate Governance Group now chaired by the Director for Business Services (Assistant Chief Executive). Regular updates on progress being made to address the issues identified in the Annual Governance Statement are to be brought to all future meetings of this Committee.

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	Target	Actual
Percentage delivery of Internal Audit Plan 2016/17.	55	50
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. (Number of forms returned for period shown in brackets)	90	100 (17)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	100

3.4.b There are currently no significant issues arising although it should be noted that achievement of the audit plan is slightly behind schedule for this time of year. This is primarily due to a number of vacant posts within the section that have proven difficult to fill. Work is currently ongoing to attempt to address this issue and two recent appointments have been made. I will continue to closely monitor and report on progress made, advising of any further impact on plan delivery.

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 has been formulated 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:

- Continuous development of the Quality Assurance and Improvement Programme (approved by ARMC – September 2015) in line with the Public Sector Internal Auditing Standards;
- Ongoing regional Counter Fraud Publicity Campaign scheduled for November 2016;
- Ongoing improvement of corporate counter fraud awareness across the Council including development of the Counter Fraud e-learning module;
- Further developments in reporting arrangements for stakeholders;
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit to include joint fraud exercises and training;
- Implementation of actions arising from the new Public Sector Internal Audit Standards (PSIAS) self-assessment exercise;
- Development of the use of computer assisted auditing techniques in the evaluation and testing of system controls for more effective and efficient auditing;
- Ongoing development and implementation of a new automated planning and management system for the service;
- Development and implementation of enhanced paperless working operation;
- Development of the Internal Charter and Strategy to reflect changes required under the new PSIAS.

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

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.

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APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2016/17

SUBJECT HISTORY (last 3 years)

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