

WIRRAL INTERNAL AUDIT SERVICE

INTERNAL AUDIT PLAN

2017 - 2018

**Internal Audit Service
Old Market House
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Wirral
CH41 5AL**

Section One

INTRODUCTION

- 1.1 This document summarises the results of Internal Audit's planning work. It sets out details of the:
 - Responsibilities and scope of internal audit
 - Resourcing and delivery of the Council's internal audit service
 - Arrangements for reporting internal audit work
 - Proposed programme of work for 2017/18 (the Audit Plan)
- 1.2 The Audit Plan for 2017/18 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.
- 1.3 The Council has adopted the PSIAS definition of internal auditing:
'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
- 1.4 In accordance with PSIAS, the mission of internal audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.
- 1.5 The work of internal audit is a key element in delivering the Council's strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Wirral Council Plan: A 2020 Vision.
- 1.6 The PSIAS require that the internal audit service is delivered and developed in accordance with the internal audit charter. The Council has formally agreed provisions relating to internal audit as detailed in the Financial Procedure Rules of the Council's Constitution in accordance with the Internal Audit Charter.

Section Two

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

2.1 *Responsibilities of internal audit*

The internal audit function is responsible for:

- Reviewing and developing the Council's governance processes. Specifically, this includes:
 - Promoting appropriate ethics and values within the Council
 - Supporting effective organisational performance management and accountability
 - Communicating risk and control information to appropriate areas of the organisation
 - Coordinating the activities of, and communicating information among, Audit and Risk Management Committee, external audit, internal audit and management
- Evaluating the effectiveness of the Council's risk management processes and contributing to their improvement
- Assisting in the maintenance and development of an effective control environment by providing robust independent assurance over its operation.

2.2 *Responsibilities of management*

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

2.3 *Responsibilities of the Audit and Risk Management Committee*

In regard to internal audit, the Audit and Risk Management Committee is responsible for:

- Approving, but not directing, internal audit's strategy, plan and monitoring performance
- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary
- Receiving and considering the Chief Internal Auditors annual report.

2.4 *Responsibilities for fraud prevention and detection*

The primary responsibility for the prevention and detection of fraud rests with management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying fraud risks, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud.

It is not the role or responsibility of internal audit to detect fraud. However, internal audit will evaluate the potential for the occurrence of fraud in each assignment and how the Council manages the risk of fraud.

2.5 *Scope of internal audit activities*

The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

Internal audit may also provide assurance services to parties outside the Council as appropriate and with the agreement of the Council.

Section Three

RESOURCING & DELIVERY OF INTERNAL AUDIT

3.1 *Resource requirements*

The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:

- Key financial systems
- Risk management and governance arrangements
- Front line services
- Support services
- Procurement and contract management activity
- Information management arrangements
- Anti-fraud and corruption arrangements
- Schools

Account has also been taken of the need to be able to resource:

- Unplanned work which may arise during the year
- Follow up work to provide assurance that previously agreed recommendations are implemented
- Provision of advice and consultancy to internal customers

3.2 *Delivery of the internal audit service*

The 2017/18 Internal Audit Plan will be delivered by a highly experienced and suitably qualified in-house team of 11 FTE auditors. The level of available internal audit resource is considered sufficient to deliver a robust annual internal audit opinion to the Audit and Risk Management Committee.

As in recent years, where opportunity arises, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.

3.3 *Independence and objectivity*

The internal audit team is managed by the Chief Internal Auditor reporting directly to the Assistant Director: Finance, the Council's statutory Section 151 Officer and with direct unfettered access to the Chief Executive Officer and Chair of the Audit and Risk Management Committee. These arrangements are designed to prevent any potential impairment to independence and objectivity in regard to the provision of an effective internal audit.

3.4 *Approach to placing reliance on other sources of assurance*

When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment.

3.5 *Assurance services to other organisations*

The only planned assurance service to be provided to an external party is an annual audit provided to Edsential which is the trading company established to provide support services to Schools. Wirral Internal Audit Services have been contracted to provide internal audit services to this organisation during 2017/18.

Section Four

INTERNAL AUDIT REPORTING ARRANGEMENTS

4.1 *Distribution of internal audit reports*

At the conclusion of each audit assignment, a draft report and action plan is discussed with the manager responsible for the area which has been audited. A final report containing management responses to any issues identified is subsequently distributed to:

- The relevant Senior Managers for the area reviewed,
- The Strategic Directors responsible for the area reviewed,
- The Council's external auditor, Strategic Leadership Team and ARMC in summary bi-monthly activity report format.

4.2 *Overall assurance opinion*

In each audit report, an overall opinion on the organisational risk presented is provided for the area audited. The opinion is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the risk management, control and governance processes in the area audited.

Organisational Risk Rating	Explanation
Major	The likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to major risk.
Moderate	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to moderate risk.
Minor	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to minor risk.
Negligible	There were no weaknesses identified during the review

4.3 *Reporting to elected members*

On a regular scheduled basis throughout the year internal audit update/progress reports are presented to the Audit and Risk Management Committee Members summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses, performance improvement opportunities and value for money issues.

4.4 *Annual Audit Opinion*

An annual report is presented to the Audit and Risk Management Committee which includes the Chief Internal Auditor's overall opinion on the Council's risk management, control and governance processes. This opinion forms one of the sources of assurance in support of the Council's Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

Section Five

INTERNAL AUDIT PLAN - METHODOLOGY

5.1 *Requirements of the Public Sector Internal Audit Standards*

The PSIAS state that the 'chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals'.

5.2 *Development of the Audit Plan*

In developing the Audit Plan, account has been taken of:

- The Council's risk management processes
- Senior management's views on risk in their areas of responsibility
- The results of previous internal audit work
- Other existing sources of assurance, including the work of external audit
- New or emerging risks affecting the Council or local government as a whole
- Known changes to the Council's business, operations, programs, systems, and controls
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion
- Any planned work deferred from the 2016/17 Audit Plan that is still considered a priority

5.3 *Alignment of the Audit Plan to the Council's Corporate Priorities*

The Audit Plan has been prepared in a way that aligns each piece of planned work with the key risks presented to the Council whilst also taking account of corporate priorities. Some planned reviews clearly contribute to more than one risk or priority. For presentational purposes the reviews have been listed in a manner that is considered most closely linked to the relevant directorate.

5.4 *Budgeted time allocations*

A budgeted time allocation has been set for each assignment included in the Audit Plan. It is accepted that the exact resource requirement for each assignment cannot be forecast with certainty. The plan therefore represents the best estimate of the way in which the Council's internal audit resources will be deployed.

5.5 *Timing and prioritisation of audit work*

The intention is to complete all planned work within the year. However, the timing and respective prioritisation of work will take account of:

- The need to finalise any work from 2016/17 that remains incomplete at year-end
- The requirement to provide assurance over the Council's key financial systems
- The views of management of the service areas in regard to the timing of work
- Any other factors that may be relevant to the timing of a particular piece of work
- Any urgent unplanned work arising
- Changes in the level of audit resources available

5.6 *Significant interim changes to planned work*

The Audit Plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to changes in priorities or changes in the level of internal audit resources. Minor changes will be agreed with the relevant operational Directors. Any significant interim changes will be reported to the Audit and Risk management Committee.

Section Six

SUMMARY INTERNAL AUDIT PLAN

Audit Area	2017/18 Audit Days
Chief Executive	74
Strategy	108
Delivery	541
Business Services	298
Total Pension Fund	100
Total ICT	269
Total Counter Fraud	263
Total Advisory	100
Total Contingency	110
Total Planned Audit Days	1863

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
CHIEF EXECUTIVE			
Transformational Change Projects	Significant change projects are taking place across the Council that are key to the delivery of service and financial priorities.	Review of risk and governance arrangements for targeted projects such as Leisure and culture transformation project	X
Intensive Families Intervention Programme (IFIP)	Important to financial wellbeing of Council to ensure that all potential income is maximised.	Review of controls in operation to ensure that IFIP grant requirements are achieved.	X
CYPD	Essential that necessary assurances are provided regarding progress against agreed improvements following recent external inspection.	Appraisal of aspects of service including Special Guardianship Orders	X
Ofsted – Data Quality	Effective management of the service requires decisions to be based on up to date and accurate information. Reputational risk if risks identified during the inspection are not addressed.	Review processing and quality assurance arrangements in the CYP department to ensure data accuracy in the Single Inspection Framework	X
TOTAL CHIEF EXECUTIVE			74

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
STRATEGY			
Organisational Change	Important to the achievement of the Council and partners' objectives that efficient and effective transformation in operation.	<p>Targeted assessment and evaluation of the effectiveness of the control environment in key areas to mitigate the risk of potential large scale workforce change.</p> <p>Testing and evaluation of achievement of key targets. Review of controls over the administration of these developing systems to ensure that stated aims and objectives are achieved.</p> <p>Ongoing input into the organisational transformation and reorganisation of the Council.</p>	X
Commercialism	Development of additional avenues of income to Council and partners present risks previously not considered.	Input to ongoing process providing risk advice and evaluation of progress being made towards development and implementation of commercial approach.	X
Regeneration Projects	Major regeneration schemes represent a substantial investment by the Council to encourage economic growth and improve resident's quality of life. Schemes have complex funding arrangements and frequently involve working with partners.	Examination of current strategies, partnerships and actions to deliver investment within the Borough.	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
Performance Management	Effective performance management arrangements remain key to ensuring Council activity is geared to achievement of Council objectives.	Annual review of the Council's arrangements for Performance Management, including targeted governance and reporting work.	X
Partnership Delivery	Achievement of Council objectives is increasingly linked to the effectiveness of partnership working.	Review of the delivery and governance of key service partnerships, including aspects of the Wirral Plan and the role of partners.	X
Organisational culture	Securing the right culture and embedding this throughout the organisation will be key to achieving service priorities in a time of considerable change.	Review of progress being made in respect of developing the corporate culture including the commercialism agenda.	X
Social Care Transformation	Key transformational change projects on the health integration agenda are essential to the delivery of service and financial priorities.	Review of DASS progress in transforming social care and moving towards integration including <ul style="list-style-type: none"> - the transfer to the Community Trust and; - the implementation of the Integrated Commissioning hub. 	X
TOTAL STRATEGY			108

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
DELIVERY			
Revenues (Council Tax, Business Rates)	Provision of assurance on the systems that provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within each financial system and focused on any emerging key risks areas.	X
Payroll	As Above	As Above	X
Accounts Payable	As Above	As Above	X
Accounts Receivable	As Above	As Above	X
Income Control	As Above	As Above	X
Benefits (Incl HB, CTSS, DHP, LWAS)	As Above	As Above	X
Customer Services / Transaction centre	Business support systems underpin the delivery of effective customer services.	Assurance on effectiveness of systems for business support within Customer Services.	X
Safeguarding	Essential that the Council complies with legal requirements to ensure the protection of vulnerable individuals.	Appraisal of effectiveness of current procedures.	X
Social Care Integration	Transfer of responsibility for service management and/or delivery of significant services to health bodies. Need for Council focus on strong contract management arrangements.	Appraisal of risks regarding contract management with new partnership working.	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
Income generation	Associated with commercialism agenda need to maximise income to the Council wherever practical	Review of fees and charges plus any specific initiatives to increase revenues.	X
Planning Approvals	Increasing applications for approval are expected with local considerations important and implications for protected areas properly considered.	Review of suitability of guidance, compliance with policies and effectiveness of controls.	X
Housing Services	Ensuring commitment to increasing and improving housing stock is achieved is essential to achievement of Council objectives.	Review of a number of housing services to ensure compliance with legislation and policies	X
Court of Protection	Protection of vulnerable adults' finances.	Assessment of policies and record keeping with testing of specific payments	X
Floral Pavilion	This major Council establishment promoting the Borough and generating significant income is required to operate efficiently and effectively.	Review and evaluation of a number of subsystems, eg stock control, casual staff, income aspects	X
Direct Payments - Adults	Increasing take-up of this important and financially significant service requires vfm assurances.	Examination of developing system and testing to evaluate value for money.	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
Schools	The Council has over 100 Schools that are responsible for their own budgets and managing their own finances. School audits are undertaken in accordance with a calculated risk assurance rating.	Individual School audits and ongoing support and guidance on effective control environments to be provided on a risk basis.	X
Follow-ups	A failure to address risks identified in previous reviews will have adverse impact on the effectiveness of the Council's governance and control framework.	Follow-up of recommendations made in previous audit reviews.	X
Wirral Evolution	Local Authority Trading Company providing day care services and opportunities, Council the sole shareholder enabling service provision.	Governance, performance and financial aspects of external company.	X
Edsential	Completion of SLA to provide Internal Audit Services to this external body delivering services to Schools on behalf of the Council.	Completion of SLA to provide Internal Audit Services to evaluate and test a range of services for effectiveness and good governance.	X
TOTAL DELIVERY			541

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
BUSINESS SERVICES			
Capital Financing	Provision of assurance on the systems that provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within the Capital Programme and Treasury Management operation focused on any emerging key risks areas.	X
General Ledger	Provision of assurance on the systems that provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within the accounting practices and budgetary control focused on any emerging key risks areas.	X
Financial Management	Provision of assurance to the s151 Officer on the financial resilience of Council.	Reviews evaluating and testing the effectiveness of the key controls within the financial systems that support the Council's business and focused on any emerging key risks areas.	X
AGS	Statutory requirement for the Council to produce an Annual Governance Statement.	Undertake work to support and assist in the preparation of the Annual Governance Statement.	X
Risk Management	A robust risk management framework is essential to ensure the range of risks to service delivery and achievement of Council priorities are effectively managed.	Annual review of the Council's arrangements for Risk Management including the extent to which corporate risk management policy is consistently applied.	X
Commissioning	Important that the organisation focusses properly on ensuring success in agreeing needs and associated outcomes to	To provide ongoing best practice support and guidance into any developments in this area. Providing assurance on corporate procurement	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
	provide financial efficiency benefits to the Council.	strategies and policies and their operation across the Council, covering works, services, and supplies.	
Constitution	Essential that the Council's rules and procedures are current, workable and understood by all stakeholders and workforce to demonstrate good governance.	Assurance that procedure rules are effective and are being complied with across the organisation. To provide assurance that corporate decision making processes and procedures in operation are efficient and effective, open and transparent and consistently applied.	X
Asset Management	Important to the financial wellbeing of the Council that it has systems in place to effectively manage its property and highway resources	Reviewing and testing systems against best practice to gain assurance that appropriate 'developed' arrangements are in place to ensure the usage of Council assets is monitored and optimised.	X
Grant Claims	Requirement to enable Council grant income to be received accurately and promptly.	Targeted grant certification work.	X
Financial savings delivery	Failure to deliver agreed financial savings affect the financial resilience of the Council.	Assurance of delivery of agreed savings options.	X
HR Policies and Procedures	Necessity to ensure effective workforce management.	Assurance that core HR policies and procedures are being complied with (includes Whistleblowing, Grievances, Gifts and Hospitality, and Absence Management).	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
Case Management	Requirement for effective, accurate and timely information regarding HR matters to assist at all levels of decision-making	Appraisal of integrity and completeness of monitoring and reporting processes.	X
Ethical framework	Robust ethical procedures will help ensure good governance and protect the Council's reputation.	Review of ethical framework arrangements	X
TOTAL BUSINESS SERVICES			298
PENSION FUND			
	The Council as administering authority of the Merseyside Pension Fund (MPF) is required to make arrangements for the proper administration of the financial affairs of the Fund and provide assurance they are managed to secure effective, economic and efficient use of resources and to safeguard its assets.	Reviews undertaken based on the current cyclical MPF internal audit plan arrangements updated to take into account the emerging key risks facing the Fund and delivered in accordance with the service level agreement. The following high risks areas will be included: <ul style="list-style-type: none"> • Investments • Benefits • Member Services 	X
TOTAL PENSION FUND			100

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
ICT			
IT Governance	The departure of the Head of Digital and other related IT staffing issues have increased risks in this area.	To provide assurance that risk management and governance arrangements in Digital are effective through evaluation and testing.	X
Information Assurance	Significant amount of sensitive personal information maintained by the Council, failure to manage this effectively could lead to reputational and financial damage to the Council.	To provide assurance that information is managed to ensure confidentiality, availability and integrity.	X
IT Security	Cyber-attacks against public bodies are becoming increasingly widespread, the consequences of which can be financial penalties, service disruption and reputational loss.	To provide assurance that Wirral Councils systems have adequate security measures in place to manage IT related attacks eg Cyber Security, Denial of Services (DoS) Ransomware etc.	X
IT Standards & Legislation	Failure to meet statutory deadlines could lead to high value fines, loss of trust and damage to the Councils reputation.	To ensure that IT relevant statutory requirements are met and managed accordingly such as General Data Protection Regs (GDPR), Payment Card Industry Data Security Standards (PCIDSS), Information Governance Standards (IGS) and Public Services Network (PSN).	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
IT Records Management	Failure to ensure that IT records are maintained effectively could lead to financial penalties and potentially damaging reputational risk to the Council.	IT records are managed in line with Policies and Procedures.	X
Business Continuity / Disaster Recovery Arrangements	Failure to resume key services in a timely manner puts the Council at risk of being unable to provide critical services to vulnerable people resulting in potential reputational and financial damage.	To provide assurance that Disaster Recovery arrangements are available and reliable	X
IT Programmes & Projects	Budget constraints and resource limitations could have a severe impact upon programme/project timescales leading to potential service delivery failures.	To provide assurance that IT Programmes and projects are managed in accordance with good practice guidelines	X
IT Equipment Acquisition & Disposal	Failure to comply with corporate policy and guidance could have serious reputational and financial consequences.	To provide assurance that IT acquisition and disposal is in line with current policy and procedure and income generation is considered.	
TOTAL ICT			269

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
COUNTER FRAUD			
Counter Fraud Strategies, Policies and Awareness Training	Fraud and corruption are ever present risks to all organisations. It is important therefore that the Council's arrangements to counter fraud reflect best practice.	Update of internal fraud policies and evaluation of awareness and compliance across the Council and continued delivery of awareness training for all employees.	X
National Fraud Initiative	NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraud. The Council is required by law to participate in NFI.	Coordination of the NFI 2016/17 exercise, including the investigation of matches and review of user outcomes. To identify possible cases of fraud from data provided through NFI and ensure that corrective action is taken in respect of any identified under/overpayment.	X
Fraud – Reactive	Fraud referrals deemed of sufficient significance to be referred to and accepted by the CIA are investigated by Internal Audit in line with the Counter-Fraud and Corruption Strategy.	Investigations of allegations/referrals to Internal Audit	X
Fraud – Proactive	Fraud and corruption are ever present risks to all organisations. It is important therefore that a programme of proactive anti-fraud work is undertaken to prevent and	Risk based proactive work to prevent and detect fraud.	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
	detect fraud.		
TOTAL COUNTER FRAUD			263
ADVISORY			
Audit Queries		Time allocation for specific queries that arise from directorates that require audit services.	X
Corporate Working Groups		Time allocation to contribute to Audit Working Groups	X
National/Regional Working Groups		Time allocation to contribute to Audit Working Groups	X
TOTAL ADVISORY		Including Control Awareness training.	100
TOTAL CONTINGENCY		Time allocation to allow for new emerging risks and unplanned work for example large investigations.	110
TOTAL AUDIT DAYS			1863