



Audit and Risk Management Committee
Tuesday, 21 November 2017

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 1 September to 31 October 2017. There are 5 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 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 1 September to 31 October 2017.

3.2. Items of Note

3.2.a Ethical Framework Audit

An audit is currently being undertaken to evaluate and review the Council's Ethical Framework as part of the 2017/18 Internal Audit Plan and as part of discharging our requirement under the Public Sector Internal Audit Standards to evaluate the design, implementation and effectiveness of the Council's ethics-related objectives, programmes and activities.

The purpose of the audit is to ensure that the risks associated with this area are appropriately addressed. The outcome of this work, including any required actions to improve arrangements will be reported to this Committee in due course.

3.2.b General Data Protection Regulation (GDPR)

An audit of the Council's compliance with the requirements of the new GDPR is currently underway with a completion date of December 2017. The aim of the audit is to ensure that the Council is on track for full compliance with the regulation by the 25 May 2018 deadline. The review will focus on implementation of the 'twelve Steps Framework' recommended by the Information Commissioner's Office and evaluate progress in these areas, providing an assessment and identifying any required actions for management. Work undertaken to date indicates that the authority is making good progress but that more work is required to meet the regulation's challenging requirements within the timescale. Members will be advised of the outcome of this piece of work in the usual manner.

3.2.c Counter Fraud Publicity Campaign

Internal Audit in conjunction with colleagues from across the Council and the Mersey region has co-ordinated a week long Fraud Awareness campaign during November 2017 to coincide with the International Fraud Awareness week running from 12 November. The aim of the campaign is to raise public awareness, change people's attitude towards fraud and encourage Wirral residents and businesses to help spot and stop fraud.

Fraudsters steal tens of thousands of pounds of public money that could be used to improve the local community; the campaign highlights the Council's zero tolerance approach to fraud and the minority who commit it.

The campaign includes posters and leaflets in council-run public buildings and other public areas, advertising on the council's website and on One Stop Shop digital screens.

3.2.d Highways Maintenance Contract

An audit visit was made to the local base of the contractor BAM Nuttall at the request of senior managers to gain an objective audit view on the percentage overhead rates that were being charged to various direct costs and the contractual basis for this. The resultant report clarified matters regarding the basis of the rate and when it needed to be applied, with the contractor agreeing to provide more clarity of detail in the future.

3.2.e Golf Courses

Two golf courses were audited during the reporting period involving on-site visits with the Golf Co-ordinator as a result of concerns raised over cash security. Onsite advice was provided and subsequently reported including the re-positioning of CCTV cameras, details included on daily and weekly returns and the responsibility for administrative checks on amounts banked. All actions have been implemented with immediate effect by senior management and follow up work will be undertaken later in the year to evaluate the effectiveness of these arrangements and the outcomes reported to the Committee.

3.3 Outstanding Audit Recommendations

- 3.3.a Attached at Appendix 1 is a 'tracker' table identifying information relating to those audits where recommended actions included in audit reports for the current year to date have not been fully implemented within agreed timescales and yet still present a serious risk.
- 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 BRAG rated as 'Amber' indicating that progress is being made to address identified issues. These items all relate to ICT issues and a report is being presented to this Committee elsewhere on the agenda by the Acting Head of Digital, providing an update on progress being made to address these and other related issues.

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 2017/18.	42	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	99

- 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 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:

- Development and implementation of an Internal Audit Methodology and Delivery Manual to fully comply with the new requirements of the Public Sector Internal Audit Standards and related best practice guidance;
- Ongoing improvement of corporate counter fraud awareness across the Council as evidenced in Counter Fraud Update report presented to this Committee;
- Continuing development of more automated working papers and reports to evidence and support audit findings;
- Further 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 use of computer assisted auditing techniques in the evaluation and testing of system controls for more effective and efficient auditing;
- Ongoing implementation of paperless working environment;
- Development and implementation of a more enhanced and streamlined planning process for 2017/18 to reflect new PSIAS requirements.

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 2017/18

SUBJECT HISTORY (last 3 years)

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