

WIRRAL INTERNAL AUDIT SERVICE

INTERNAL AUDIT PLAN

2018 - 2019

**Internal Audit Service
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Wirral
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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 2018/19 (the Audit Plan)
- 1.2 The Audit Plan for 2018/19 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 2018/19 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 Director: of Finance and Investments, 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 assurance work provided to an external party is that delivered to Edsential which is the trading company established to deliver support services to Schools. Wirral Internal Audit Services have included some time within the audit plan for 2018/19 to accommodate work of this nature during the year as required.

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	This opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to major risk of a fundamental or material nature. This opinion suggests that there are some potentially serious weaknesses in the design and/or operation of the control environment that may have a significant impact on the achievement of systems and or corporate objectives if not addressed.
Moderate	This opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise would leave the Council open to moderate risk of a fundamental or material nature. This opinion suggests that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the achievement of the systems and/or corporate objectives.

Minor	This opinion indicates that 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 and include those matters escalated to Members for action..

In addition to this, Members are emailed a bi-monthly Internal Audit Activity Summary report throughout the year identifying audits completed, opinions provided, summary findings and a RAGB rating indicating the status of actions being taken by officers in response to audit recommendations. Information is provided in this manner to ensure that the timeliness of data provided is maintained effectively on an ongoing basis.

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 2017/18 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 area included in the Audit Plan. It is accepted that the exact resource requirement for each assignment cannot be forecast with certainty at this stage. 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 2017/18 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	2018/19 Audit Days
Children's Services (Incl Schools)	176
Health & Care (Excl Delivery)	63
Strategy	74
Delivery	282
Corporate Resources & Reform	228
Assistant Chief Executive	137
Pension Fund	150
ICT	216
Counter Fraud	300
Advisory	100
Contingency	110
Total Planned Audit Days	1836

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
CHILDREN'S SERVICES			
Troubled Families	Need to maximise income and prove details claimed accurate and valid.	Verification of grant claim details including appraisal of outcomes	X
Safeguarding	Essential that Council complies with legal requirements to ensure protection of vulnerable individuals.	Appraisal of current effectiveness of Children's Safeguarding procedures	X
Children's Services	Important that service maintain effective systems of governance, performance and finances to ensure ongoing delivery of statutory requirements.	Payments and processes reviews to give assurances on accuracy and control, covering Social Care Payments, Cash Controls and Early Years Provision. Ofsted related work and organisational compliance (Attendance Management/Training etc)	X
TOTAL CHILDREN'S SERVICES			176
HEALTH & CARE			
Social Care Integration	Essential that Council maintains effective management arrangements for effective partnership working with NHS Trusts.	Contract management arrangements with Wirral NHS Community Trust and Cheshire and Wirral Community Trust	X

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
Integrated Commissioning Hub	Key transformational change project on the health integration agenda, essential to the delivery of service and financial priorities.	Continuing review of progress towards the implementation of the Integrated Commissioning Hub with a focus to ensure key governance and financial risks are appropriately addressed.	X
Controcc Payments	Essential that accurate and efficient payments are made to genuine care recipients.	Review control arrangements regarding care financials system	X
Out of Borough Placements	Awareness of care provision quality and control regarding service users placed outside of the Council's boundary.	Assurance of correct assessment, monitoring and payment processes	X
TOTAL HEALTH & CARE			63
STRATEGY			
Commissioning	Important for organisation to maintain effectiveness of identifying outcomes to meet needs through efficient market intelligence and stakeholder involvement.	Support and guidance plus compliance work regarding: - Assisted Travel - Highways - Car Parking - Procurement	X
Waste Disposal Levy	Correct and appropriately defined significant payments to partner agency for service.	Verify accuracy and basis of payments	X

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 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. Planned work includes a review of how performance management arrangements link with and support business planning and strategic service planning and review processes.	X
Partnership Delivery	Achievement of Council objectives is increasingly linked to the effectiveness of partnership working.	Review of the risk management and governance arrangements of a sample of key service partnerships. Planned work includes consideration, for a sample of Wirral Plan pledges, of how the Council ensures appropriate ownership and delivery of pledge commitments by key partners.	X
TOTAL STRATEGY			74
DELIVERY			
Financial Systems <ul style="list-style-type: none"> • Council Tax • Business Rates • Payroll • Benefits • Accounts Receivable • Accounts Payable • Income Reconciliation 	These systems provide material disclosures for the financial statements. (S151 requirement).	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

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
Business Support	Business support systems underpin the delivery of effective customer services.	Assurance on effectiveness of systems for business support within Customer Services.	X
Free-Standing Payments	Important that effective controls are implemented over all payments made by the Council.	Examination of range of payments made outside of procurement.	X
Housing Services	Effective delivery of key service ensuring legislative compliance.	Review compliance with legislation and policies specifically regarding homelessness.	X
Licencing	Essential that Council complies with statutory and regulatory requirements.	Select sample of licences and test for compliance with legislation and Council's Policy & Procedures.	X
Environmental Improvements	Need to guard against low quality service not meeting Council requirements and citizens' expectations.	Appraise control environment covering governance, performance and financial aspects.	X
Schools	Appropriate financial and operational control is essential to effective operation over school funds.	An audit programme focussed on financial and governance risks is undertaken at all schools over a 3-4 year programme, with phasing planned based on risk assurance rating. A thematic review of controls over a selection of IT risks will also be undertaken at a small sample of schools. Ongoing support and guidance on effective control environments to be provided on a risk basis.	X

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
Landican	Essential that this high profile/high risk service is delivered effectively by the Council.	Appraisal of financial and operational processes.	X
Leisure Services	Weak control environment would significantly impact upon service delivery and future transformation plans.	Visits to sample of Sports centres to review financial and operational aspects.	X
Wirral Evolutions	Important Local Authority Trading Company delivering services regarding day centres and day opportunities. Essential that governance arrangements are robust.	Delivery of service agreement covering key governance, performance and financial aspects of service.	X
Edsential	Potentially significant risks associated with delivery of these external services to schools.	Completion of targeted audit work to contribute to development and operation of effective control environment.	X
TOTAL DELIVERY			282
CORPORATE RESOURCES & REFORM			
Capital Financing	These systems provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within the Capital Programme, Assets and Treasury Management operations focused on any emerging key risks areas.	X

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
Financial Accounting System	These systems provide material disclosures for the financial statements (S151 requirement).	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	Essential 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
Grants	Essential to maximise income and prove details claimed accurate and prompt.	Responsive work prior to despatch of claims	X
Attendance Management	Essential that Council effectively controls sickness absence across the organisation to prevent financial and reputational loss.	Assurance of compliance with Council's policies and procedures.	X
Organisational Change	Significant change projects key to organisational and financial wellbeing and achievement of corporate objectives.	Transformation schemes input/overview ensuring sufficient focus on key elements including governance and risk. Ongoing audit input to LLCS. Input to developing areas of Commercialism. Future ADM's and lessons learnt input.	X

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
Financial Resilience	Uncertainty over the level of future funding and increased demand pressures mean the Council's ability to deliver future essential services depend on effective delivery of key actions.	Review the new outcome-based budget process and test the application of the new scheme for delegated budget responsibility. Review the process for establishing and monitoring savings targets and how this is linked to increased accountability for their delivery.	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. Support, challenge and evaluate the extent to which corporate risk management policy is consistently applied corporately and within service departments.	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 effectiveness of corporate initiatives aimed at strengthening the accountability framework for senior managers including the approach to performance appraisals.	X
Follow-ups	Agreed recommendations not implemented.	Follow up of all audit recommendations.	X
TOTAL CORPORATE RESOURCES & REFORM			228

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
ASSISTANT CHIEF EXECUTIVE			
Constitution	Essential to overall good governance that the Council's Constitution is current, relevant and functions effectively.	Annual review and feedback to Monitoring Officer regarding assurance on effectiveness and corporate compliance.	X
Regeneration Projects	Major regeneration schemes represent a substantial investment by the Council that will encourage economic growth and increase income. Essential that effective progress with delivery of these major schemes is maintained and managed effectively.	Reviews of partnership/governance arrangements to deliver investment through Growth Company and overview of current Wirral Waters position. Further targeted work in this area including input/testing and in year reviews as appropriate.	X
Corporate Governance / Annual Governance Statement (AGS)	Statutory requirement for the Council to produce an Annual Governance Statement. Poor governance leading to failure to achieve key objectives and ineffective use of resources.	Undertake work to support and assist in the preparation of the Annual Governance Statement, ensuring it aligns with knowledge and understanding of structures and processes in place. . Provide support and challenge to development of governance arrangements, including attendance and support for Corporate Governance Group and Governance Review initiatives.	X

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
Ethical framework	Robust ethical procedures will help ensure good governance and protect the Council's reputation.	Review of ethical framework arrangements. Evaluate the effectiveness of the processes supporting compliance with ethical governance principles.	X
TOTAL ASSISTANT CHIEF EXECUTIVE			137
PENSION FUND			
	The Council as administering authority for 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. An increase in the number of audit days has been mutually agreed to recognise the complex challenges now facing the LGPS and to demonstrate good governance. The following high risks areas will be included: <ul style="list-style-type: none"> • Investments • Benefits • Member Services 	X
TOTAL PENSION FUND			150

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
ICT			
Legislation Compliance	Failure to comply with relevant legislation could lead to financial and reputation damage to the Authority.	Provide an update on Authorities position on Legislation Compliance.	X
Business Continuity/ Disaster Recovery	Insufficient Business Continuity Plans and Disaster Recovery processes could lead to unavailability of business critical systems that could result in unavailable services for vulnerable people.	Provide assurance sufficient controls in place to manage physical & environmental security of systems to ensure availability of critical Council systems.	X
Cyber Security	Cyber attackers are continually seeking new and innovative ways to attack an organisations infrastructure to obtain confidential information for financial gain.	Provide assurance that there are robust controls in place prevent a wide range of Cyber-Attacks, using guidance from National Cyber Security Centre and other Agencies.	X
IT Projects	The risk of running over budget and over time are the key risks to any project. All projects need to be in line with strategy and include all relevant stakeholders to ensure that benefits are realised.	To provide assurance that projects are managed and monitored sufficiently to ensure that they are delivered in time, on budget and benefits are realised.	X

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
Network Security	The key for IT is to constantly evaluate current security measures and policies to identify any shortcomings that may be exposing the company to risk.	To provide assurance that the risks presented to our networks are managed and mitigated to protect our infrastructure.	X
Information Assurance	The loss of information can have a detrimental effect on an individual therefore an organisation must adopt corporate wide culture that protects all data.	To provide assurance that information is managed in line with the LPS Data Handling Guidelines	X
System Assurance	To ensure the confidentiality, integrity and availability of business critical systems. Also ensure systems are fully utilised and fit for purpose.	To provide assurance that critical systems have sufficient controls in place to manage integrity, confidentiality, availability.	X
Follow Ups	To ensure recommendations are implemented as stated in line with PIAS.	Follow up of recommendations made by internal and external assurance providers to provide assurance that actions are implemented in a timely manner.	X
TOTAL ICT			216

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 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 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)	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 2018/19 exercise, including the investigation of matches and review of user outcomes. To identify possible cases of fraud and error 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	Risk based proactive work to prevent and detect fraud.	X

Area of Audit Work	Risk Context	Overview of Assurance	2018/19 Audit Days
	therefore that a programme of proactive anti-fraud work is undertaken to prevent and detect fraud.		
TOTAL COUNTER FRAUD			300
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			1836