

**Chief Internal Auditor's
Annual Report and Opinion on the System of Internal Control
2017/18**

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Wirral Internal Audit Service**

June 2018

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Appendix A: Scope, Responsibilities and Assurance

1 Executive Summary

1.1 Introduction

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Chief Internal Auditor, in accordance with the PSIAS, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes (i.e. the organisation's system of internal control). This is achieved through a risk based plan of work, agreed with management and approved by the Audit and Risk Management Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described in this report.

1.2 My Overall Opinion is that:

On the basis of our programme of work for the year, I can provide good assurance overall that there is a generally sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently.

However some weaknesses in the design and inconsistent application of controls put the achievement of some key objectives at risk. The key governance, risk and internal control issues of which the Chief Internal Auditor was made aware during the year and that impact the overall opinion are included within sections 3 and 4 of this report.

1.3 **Basis of the Opinion**

My opinion has been based on:

- Our assessment of the governance arrangements;
- Our assessment of the risk management arrangements and the framework of assurance; and
- The outcomes of our risk-based assignments.

1.3.1 **Corporate Governance**

An assessment of the Council's Code of Corporate Governance was jointly undertaken by Internal Audit and Legal against the CIPFA/SOLACE Good Governance Framework (2016 edition). Overall design of controls was seen to be satisfactory and compliant with the requirements of the framework. As part of the assessment the Code has been reviewed and refreshed and is due to be presented to the Audit and Risk Management Committee in July 2018 for approval.

Internal Audit has standing membership on the Corporate Governance Group and uses this to raise governance issues highlighted in Internal Audit reports, as well as reviewing evidence of the progress being made in respect of Significant Governance Issues highlighted in the Annual Governance Statement.

1.3.2 **Risk Management Arrangements**

During the year, an updated Risk Management policy was approved by Cabinet. In accordance with the Policy, the Corporate Risk Register is populated with risks to the achievement of the Council's corporate objectives, and each risk is allocated to a responsible Lead Officer. The highest rated ("red") risks, and changes to the risk ratings are considered regularly by the Strategic Leadership Team; and the Audit and Risk Management Committee also receives regular reports on risk.

The corporate Risk Management policy envisages risk management arrangements to be in place for the Strategy, Delivery and Business Support hubs, Wirral pledges, and key Transformation and other projects. Progress in completing risk registers and assessing risk in a structured way across the various aspects of the Council in 2017/18 has been mixed and

the corporate risk management policy has not been consistently applied and embedded across the Council. In recognition of the risks and challenges facing the Council and feedback received from various parties including ARMC, on aspects of the Council's current arrangements, the Council's Senior Risk and Insurance Officer has reported to the SLT on proposals for a planned refresh of the corporate risk management arrangements. Progress is being made to take forward these proposals and Internal Audit will continue to monitor and support the development of the refreshed risk management arrangements.

1.3.3 **Framework of Assurance**

The Corporate Governance Group now chaired and supported by the Director for Governance and Assurance , a member of the Strategic Leadership Team, met regularly during 2017/18 to demonstrate how assurance is provided to the Chief Executives Strategic Leadership Team and the Audit and Risk Management Committee. Regular updates were provided to this group during the year on all of these key assurance components and action plans covering key areas for development and improvement monitored. This included the comprehensive action report covering the Significant Governance Issues arising from the 2016/17 Annual Governance Statement and on which significant progress has been made.

1.3.4 **Risk Based Assignments**

Arising from the agreed plan of work a total of 93 individual assignments including reports, actions plans, briefing notes and memos have been issued. The work undertaken contributes to my overall opinion on the control environment.

Opinions provided in audit reports produced during 2017/18 are very similar to the previous year when making a direct comparison, with slight increases in the number of audits identifying 'Major' and 'Moderate' risk opinions possibly reflecting the current challenging nature of the public sector landscape. The modest nature of these increases does not at this moment in time present any cause for concern and is counteracted to some degree by the increase in those audits identifying 'Negligible' opinions and reflecting strong control environments. The vast majority of the opinions provided remain within the 'Minor' and 'Negligible' risk categories, and the underlying message certainly suggests that there remains an awareness and understanding amongst officers and management of the need for robust systems of control and governance across the organisation.

1.3.5 Key Control Developments in year that support the Opinion

There have been a number of significant improvements to the organisation's governance and control environment during the year in the following areas that have reduced the Council's exposure to controllable risk:

- Constitution and Scheme of Delegation reviewed and updated;
- Senior Management Appointments/Restructuring;
- Code of Corporate Governance assessment/development;
- Ongoing Risk Management improvements;
- Enhanced Stakeholder engagement;
- Updated Contract Procedure Rules;
- Implementation of formal constituted Project Boards;
- Improved Whistleblowing arrangements.

2. Introduction

UK Public Sector Internal audit Standards (PSIAS) 2013

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Chief Internal Auditor, in accordance with the PSIAS, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes (i.e. the organisation's system of internal control).

The CIPFA Statement on the role of the Head of Internal Audit (Chief Internal Auditor) in Local Government issued during 2013 noted that the Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

3. Assurance

3.1 Roles and Responsibilities

The Council is accountable collectively for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Council setting out:

- How the responsibilities of the Council are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of the governance arrangements as evidenced by a description of the risk management and review processes; and
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The Council's framework of assurance should bring together all of the evidence required to support the Annual Governance Statement.

The role of the Chief Internal Auditor (CIA), in accordance with the CIPFA Code and the new Public Sector Internal Audit Standards (PSIAS), is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes i.e. the organisation's system of internal control. This is achieved through a risk based plan of work, agreed with management and approved by the Audit and Risk Management Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit have reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal

control. My opinion is one component that the Council takes into account in compiling its Annual Governance Statement. In particular, apart from the overall opinion, where 'Major' or 'Moderate' organisational risk opinions have been issued against individual audits, then the Council should assess whether or not the sources of those opinions and subsequent actions taken to address issues necessitate the need for a disclosure of a significant issue.

3.2 Chief Internal Auditors Opinion

My overall opinion is that:

On the basis of our programme of work for the year, I can provide good assurance overall that there is a generally sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently. However some weaknesses in the design and inconsistent application of controls put the achievement of some key objectives at risk. The key governance, risk and internal control issues of which the Chief Internal Auditor was made aware during the year and that impact the overall opinion are included below.

3.3 Basis of the Opinion

The basis for forming my opinion is as follows:

- An assessment of the Code of Corporate Governance and its operation including underpinning processes;
- An assessment of the risk management arrangements and the framework of assurance; and
- An assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit risk based plan that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. A number

of reports have identified major or moderate organisational risks opinions during the year however all of these reports have recommended actions which when implemented will reduce the level of risk to the organisation. Internal Audit perform work to gain assurance that the recommendations have been implemented and report the findings to the Strategic Leadership Team and Audit and Risk Management Committee Members bi-monthly; and progress to date in year is good.

Corporate Governance

3.3.1 The Code of Corporate Governance

An assessment of the Council's Code of Corporate Governance was jointly undertaken by Internal Audit and Legal against the CIPFA/SOLACE Good Governance Framework (2016 edition). Overall design of controls was seen to be satisfactory and compliant with the requirements of the framework. As part of the assessment the Code has been reviewed and refreshed and is due to be presented to the Audit and Risk Management Committee in July 2018 for approval. The Code is publicised on the Council's Intranet and available for reference via the Council website.

Internal Audit has standing membership on the Corporate Governance Group and uses this to raise governance issues highlighted in Internal Audit reports, as well as reviewing evidence of the progress being made in respect of Significant Governance Issues highlighted in the Annual Governance Statement.

Progress has been made during the year to address the Significant Governance Issues highlighted in the Annual Governance Statement (AGS) 2016/17 as outlined in the following section. There remains one Significant Governance Issue that is reported in the 2017/18 AGS and will be actively addressed in 2018/19.

3.3.2. Significant Governance Issues

Compliance with Council Policy

The 2016/17 AGS included three Significant Governance Issues in respect of compliance with Council Policy and procedure:

- Absence Management

Absence management remained a governance issue throughout 2017/18 with reported concerns relating to consistent compliance with corporate policy and procedure and effective utilization of the Council's Selfserve system. However senior management have taken steps to attempt to address this problem and a revised and updated action plan for attendance management was agreed by SLT and is being implemented. Incorporated within this are a series of actions aimed at improving and developing effective control over absence. Actions include the production of a new suite of management information reports that have been developed to support the management of absence and these have improved management oversight. Specific areas have been identified for targeted action by service managers supported by HR and a system of regular case conferences are now in place to ensure that issues are being managed in accordance with policy. Training for line managers is currently being rolled out, starting with managers in identified 'hotspot' areas. It is recognised that it will take time for significant improvement to be evidenced in overall absence management performance indicators, although absence levels are in line with comparator organisations. Recent initiatives have already seen some success in resolving some of the longest term cases. There is also evidence that cases are being progressed through the stages of the absence procedure quicker.

- Training

Action has been taken by the organisation during 2017/18 to improve completion rates for essential training and by 31 March 2018, completion rates for the two essential training (e-learning) modules, were 86.7% and 84.6% respectively. Going forward, strategic training and development issues will be addressed through the People Strategy and Organisational Development Plan.

- Contract Procedure Rules

A full review of the CPR's has been undertaken as required every two years. Recommendations for amendments were presented for Member approval at the March 2018 ARMC. The recommendations further enhance and support compliance. The Use of Procurement Rules Approval Documents (PRAD) is reported on a six monthly basis to ARMC. The new Corporate Procurement Structure has been finalised and came into operation, subject to the consultation and recruitment process, from April 2018.

It is commendable that targeted actions taken in year by senior management have clearly improved arrangements across the areas identified however the findings from recent audits undertaken indicate that overall corporate compliance with policy and procedure remains inconsistent across the Council and suggests that more work is required by senior management in this area including more activity to strengthen accountability for non-compliance. Senior management acknowledge this and are currently taking the necessary steps to address this issue, including the establishment of a sub group of the Corporate Governance Group tasked with improving corporate compliance across a number of different disciplines. Internal Audit are members of this sub group and will have direct input to developments in this area. In addition audit work is scheduled for later in 2018/19 to assess progress in this area and undertake targeted testing as appropriate.

ICT Business Continuity Planning

Concerted actions undertaken by the Council in year have improved operational arrangements in this area and ensured that Business Continuity plans are now in place for all identified critical services and are stored electronically on the secure Cabinet Office hosted website. All plans have been subject to a walkthrough exercise with the Business Continuity & Environment Officer supported by a representative from Digital.

ICT Resilience Planning

The significant corporate risk of having two data centers in the same building has been addressed with all production services now running from Georges Dock in Liverpool. The review of disaster recovery capabilities in the Treasury Building was completed by end of April 2018, marking the closure of the project.

Children's Services

There is ongoing action to address significant issues of concerns raised in the Ofsted inspection in July 2016 which provided an overall opinion that arrangements in place for Children's Services in Wirral were inadequate. In response to the Ofsted findings good progress is being made to ensure that the Improvement Plan is being delivered with oversight being provided by the independently chaired Improvement Board. The Board convenes monthly to consider progress against the Ofsted recommendations and monitor the impact of the delivery of the improvement plan. Ofsted monitoring visits occur at three monthly intervals providing independent oversight of progress. Additional oversight for the improvement plan is provided by the Council's Children and Families Overview and Scrutiny Committee.

More detail on this is provided in the Annual Governance Statement for 2017/18.

3.3.3 ICT Governance

Internal Audit have undertaken a full programme of risk based work in this area during 2017/18 identifying and evaluating key system controls for effectiveness and efficiency, some of the work undertaken includes the following:

Equipment Acquisitions and Disposal

Security

Disaster Recovery and Continuity

Records Management

One of the key risks identified related to data being maintained on the Councils shared drive, this issue has now been discussed at Information Governance Delivery Group (IGDG) and escalated to the Strategic Leadership Team for action. As a direct result of this a specific project is being overseen by the Transformation Team to identify and implement necessary actions to mitigate all key risks in this area.

A further piece of audit work undertaken in year involved identification and evaluation of key risks in place to mitigate Cyber threats. A key action area arising from this work was for Digital to develop and utilise an IT Risk Register which has now been developed and captures all risks associated with this type of threat. The process of managing and maintaining ICT equipment can however be better controlled, this has been acknowledged by Digital who have recently had agreement from SLT to centrally control the ICT equipment budget which should improve control arrangements in this area. Internal Audit will continue to meet with the Head of Digital on a monthly basis during 2018/19 to ensure that any outstanding actions arising from completed audit work are addressed in a timely fashion.

Internal Audit are now a member of the newly formed Technical Design Authority whose role is to approve the technical design of new systems, ensure systems are future proofed and projects are prioritised. We will continue to provide an independent objective opinion on risks and controls matters that may arise.

3.3.4 Information Governance

Internal audit remains an active participant on the Information Governance Delivery Group who are overseeing the implementation of actions to ensure compliance with the new General Data Protection Regulations, with progress by the Council being made. Information Governance remains a developing area and a number of recommended actions still require some attention however. It should be noted that one of the key actions related to the appointment of a permanent Senior Information Risk Officer and it is pleasing to note that this particular issue has now been addressed and related actions to improve arrangements are in hand. To support this the Information Governance Policy was updated during the year and this should help facilitate necessary improvements and ensure ongoing compliance with the legislation. In addition, progress on implementing the Information Commission Officers (ICO) recommendations is regularly reported to the IGDG who are overseeing required actions in this area. Internal Audit are scheduled to undertake targeted reviews during 2018/19 evaluating evidence of implementation of high risk actions identified.

Our review of Information Assets owners identified that a comprehensive Information Asset Register has now been developed by the Council in line with GDPR and will remain a key repository of the Authority's data systems and asset owners. In the future it is anticipated that this will become a working document. The audit work identified actions specific to Information Asset Owners, mainly regarding their understanding of their roles and responsibilities and specifically the identification of key information risks and we are assured that this is being addressed, although some slight concerns

remain regarding the resources available to implement all of the requirements in a timely manner. Internal Audit will continue to meet with the Information Governance & Security Officer on a monthly basis to discuss progress on this as well as any emerging risks.

3.3.5 Risk Management Arrangements/Assurance

Corporate risk management arrangements are well established, including the corporate Risk Management Policy and Corporate Risk Register. An update to the Council's Risk Management Policy was approved by ARMC in November 2017 and formally adopted by Cabinet on behalf of the Council in November 2017.

The Internal Audit input during 2017/18 has focussed on liaising with the Council's Senior Risk and Insurance Officer (SRIO) to track progress with the implementation of recommendations from the 2016/17 review, and monitoring, and supporting, where able, The Council's plans to further develop the existing arrangements.

The main recommendation from the 2016/17 review was to finalise risk management arrangements, including the completion and routine review of risk registers, as per the updated Corporate Risk Management policy, for each of the following:

- Strategic Hub, Business Services and Delivery Services
- Transformation projects
- All Wirral Plan Pledge Strategies.

Progress in completing risk registers and assessing risk in a structured way across the various aspects of the Council in 2017/18 has been mixed. There are examples where risk registers were completed and used during 2017/18; these include for example for Delivery services, the Customer Experience programme within Transformation and for some Wirral Plan pledges. The corporate Risk Management policy however has not been consistently applied and embedded across the Council during 2017/18.

The other recommendation from the 2016/17 review was to appoint Risk Champions for each department. This has been addressed as part of the current refresh of the Council's risk management arrangements.

In recognition of the risks and challenges facing the Council and feedback, including from ARMC, on aspects of the Council's current arrangements, the SRIO has reported to the SLT on proposals for a planned refresh of the corporate risk management arrangements. Proposed initiatives include:

- Improved reporting to and management of the Corporate Risk Register at SLT and Cabinet. Proposals include a monthly SLT review, based on a new performance dashboard, and arrangements for escalation and de-escalation of risks from / to service registers (this will require up to date and comprehensive risk registers for all service plans and programmes to be available to inform regular reporting to SLT);
- The production of a revised corporate risk register;
- Improved accountability, with senior officers subject to quarterly review by the Corporate Director for Business Management;
- An improved focus on operational risk;
- Enhanced capacity including identifying officers support from within each functional area of the Council;
- New reporting arrangements, across officer and Member groups, and;
- Additional training and development opportunities.

Progress is being made to take forward these proposals. Action to date includes:

- An initial SLT discussion of the context of strategic risk management at Wirral. This was facilitated by the Council's risk and insurance providers. It is envisaged that a further workshop will be held in the near future to agree the strategic risks facing the Council and next steps to strengthen the Council's risk management arrangements;
- The drafting of proposals on the monitoring of key operational risks for consideration by SLT;
- Service plans are in the process of being finalised, with close links to the risk context for services.

Internal Audit will continue to monitor and support the development of the refreshed risk management arrangements that will include targeted work in key areas during 2018/19.

3.3.6 Risk-Based Assignments

This element of the opinion is based on an assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit plan that have been reported throughout the year. On 14 March 2017 the Annual Internal Audit Plan was agreed by the Audit and Risk Management Committee. During the year regular updates including any necessary changes to the plan were reported to, and agreed by, the Audit and Risk Management Committee. Arising from the agreed plan of work a total of 93 reports, action plans, memos and briefing notes have been issued. All of the work undertaken contributes to my overall opinion on the control environment; all of the reports issued contained a formal organisational risk opinion and have informed the opinion in this report. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. The Outcomes and Effectiveness sections of this report give fuller details of:

- Performance against plan;
- Unplanned work undertaken;
- Key points arising where our organisational risk opinion was 'major'; and
- Follow up work undertaken.

3.3.7 Fundamental Financial Systems

This work focusses on the control arrangements within the council's core financial systems to assess whether they are adequate to allow the council to conduct its business appropriately. The work provides the Section 151 Officer with a key element of assurance that the council has effective arrangements for the proper administration of its financial affairs.

We have continued to develop and utilise a suite of Computer Assisted Audit Techniques (CAATs) that enable us to test whole databases wherever possible as well as samples of individual transactions. It is used to support the work of External Audit in their review of the Statement of Accounts and significantly informs the Chief Internal Auditor's opinion.

The work completed within each core financial system was focused on emerging risks within the area of operation where these were identified. i.e. new legislation, staffing restructures and reorganisations. An audit of Capital Financing was completed having been brought forward into the Internal Audit Plan from 2016/17 following a re-evaluation of risk and the available resources during the year. A summary of the opinions from these audits completed in the year are identified below:

Audit	Organisation Risk
Accounts Payable – Bank Mandates	Moderate
Accounts Receivable – System Overview	Negligible
Benefits – Discretionary Housing Payments	Minor
Benefits – Subsidy Claim	Negligible
Capital Financing – Strategy & Programme	Moderate
Financial Accounting – International Auditing Standards	Negligible
Financial Management – Public Liability Claim	Minor
Income Control	Minor
Payroll – Teachers Pension Enhancement	Moderate
Payroll – IR35 (Deemed Employment)	Negligible
Revenues - Council Tax - Recovery	Moderate
Revenues - Non-Domestic Rates – Credits & Refunds	Negligible

3.3.8 Merseyside Pension Fund

Given the complex nature of the Local Government Pension Scheme (LGPS) operations and the materiality of the finances involved, its inherent risk level is significant. The delivery of the internal audit function to the Merseyside Pension Fund (MPF) by the Wirral Internal Audit Service has been developed and mutually agreed via a service level agreement (SLA). The purpose of the SLA is to formalise the audit relationship; clarify responsibilities and obligations on both sides; and embed positive practices. The SLA has now been operational for five years and has enhanced the effectiveness of the Internal Audit Service to MPF, who have provided very positive feedback on the assurance work undertaken.

In line with the Society of County Treasurers report *'Good practice guidance: gaining assurance over the governance and administration of pension funds, and pension fund investment management – a guide for the internal auditor'*, the Internal Audit Service aim to review all expected controls in relation to; governance and strategy; pensions administration; and investments on a cyclical basis over a three year period. This coverage allows the Internal Audit Service to provide an opinion on the adequacy and effectiveness of the organisation's control environment. The Internal Audit Plan is set through discussions with the MPF Management Team to deliver pension and investment audits taking into account the key risks facing the Pension Fund. The approved programme of audits for 2017/18 included some assurance work on systems under development at the Fund which was undertaken at the request of the Fund Operating Group (FOG). A summary of the opinions from the programme of completed audits is provided below:

Audit	Organisation Risk
Governance Review	Minor
Debtors Recovery	Minor
Employer Covenants	Negligible
Retirement Benefits Payments	Negligible

A significant and high level audit review was conducted to evaluate the effectiveness of the governance arrangements of the MPF. The audit programme was produced by reference to the CIPFA / SOLACE 'Delivering Good Governance' (2016) guidance. Large elements of the review focused on the developing governance arrangements in respect to the formation of the Collective Asset Pool called the 'Northern Pool' primarily due to the significant inherent risks associated with this initiative. Pooling will result in fundamental changes to oversight and management of LGPS assets and it is essential that appropriate governance arrangements are put in place to ensure that Pensions Committee can exercise its responsibilities in accordance with the Council's constitution. The review identified systems and processes that consistently demonstrate effective compliance with the principles of good governance and that the Fund fully complies with the best practice guidelines on governance issued by the Department for Communities and Local Government (DCLG) as reported within the MPF Governance Policy.

An audit was conducted to review the effectiveness of the MPF Debt Recovery system. The conclusion drawn from the work carried out is that MPF have appropriate working practices and systems in place to identify and collect monies due for the services provided outside of the Council's Oracle Accounts Receivable system, but there are opportunities for improvements and recommendation agreed with management.

An audit was conducted to review the effectiveness of the employer covenant arrangements for the MPF. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces and influences the funding strategy, pace of recovery of deficit and required collateral. This review concluded that the MPF systems and processes for assessing and monitoring the employer covenants comply with the approved policy within the Funding Strategy Statement and the regulatory guidance issued by the Pensions Regulator.

As in previous years, the review of the Benefits system focused on providing assurance on the validity and accuracy of a sample of retirement benefits payments. Detailed compliance testing on a pre-selected sample of members was carried out in order to evaluate the effectiveness of the key controls identified, in a manner that could be relied upon by the external auditors for MPF, Grant Thornton. The conclusion drawn from the work carried out is that there is a satisfactory audit trail - from an individual becoming a member of the scheme, through their service history, to the request to process a benefit crystallisation event - for the retirement benefits calculation. Reasonable assurance can be placed that the immediate and recurring financial transactions for the sample tested are valid and accurate for all members, as the calculations made for retirement benefit and new payroll payments are correct, within a tolerance of +/-1%.

The overall assessment of the MPF systems based on the audits completed found there is a sound system of control in place, those controls are consistently applied and fully effective and no significant weaknesses were identified. The MPF Management Team continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales. This conclusion was reported directly to the Local Pensions Board on the 13th June following a request by the MPF Management Team for an independent annual report to be produced and presented to demonstrate transparency and further enhance good governance at the Fund.

3.3.9 Legislative Compliance

Under the Local Planning Act 2004 Councils are required to have a clear local plan for development in place that identifies those areas that are protected and those that are earmarked for development for commercial and housing use. Wirral, whilst having undertaken work in this area over previous years currently does not have a fully finalised and approved local plan in place. I am aware however that actions are in progress and that a report is scheduled for presentation at Cabinet during July 2018 on this matter. It is vital that progress is made with some urgency if the Council is to avoid the potentially significant risks of not achieving its stated objectives in this area as well as possible Government intervention by the Secretary of State. Senior management and Members should continue to take all necessary steps with some urgency to ensure that this situation is resolved within agreed timescales.

3.3.10 Key Control Developments In Year

- From discussions with partners and commissioners it is evident that, for many of the Wirral Plan partnerships, there has been further improvement in the effectiveness of partnership working, with partnerships generally reflecting a well-coordinated approach, strong communication between partners and commissioners, a clear understanding of pledges and strategies and robust arrangements for the monitoring and delivery of outcomes. In addition, the Wirral Together initiative is scheduled for launch in 2018/19 which should further improve arrangements in this area;
- The organisation has updated its Corporate Risk Management Policy. The Corporate Governance Group, the Strategic Leadership Team and the Audit and Risk Management Committee regularly and routinely consider reports on risk, in accordance with the Risk Management Policy;

- Some risk registers have been reviewed and refined to ensure that they reflect the critical risk issues that the organisation currently faces;
- Enhanced engagement with all stakeholders including the Council's budget consultation;
- The Councils Constitution and Scheme of Delegation has been reviewed during the year and amendments approved through full Council or Standards and Constitutional Oversight Committee to ensure continued ongoing fitness for purpose;
- All Internal Audit reports issued with a major or moderate organisational risk opinion in 2017/18 have had follow up work undertaken, in line with agreed timescales, and significant improvements have generally been made in these areas, with any exceptions reported to ARMC;
- A comprehensive Performance Management Framework continues to operate, supported by robust systems and processes (although scope exists for additional steps to be taken to further enhance these processes to assure the robustness of data quality);
- Whistleblowing arrangements across the Council have improved with the quality of record keeping, ongoing communication with whistleblowers and evidence trails particular examples of good practice;
- The establishment of formal boards, properly constituted and comprising officers from multiple disciplines to oversee transformation and commissioning projects eg: highways maintenance and travel assistance is a significant improvement;
- Key improvements in year to the Liquidlogic system should ensure that any potential risks regarding Children's Services payments are significantly reduced in the future;
- The introduction of an annual internal audit report and opinion and quarterly updates for the Pension Fund Board and Pensions Committee during the year should enable more effective scrutiny by these bodies in fulfilling their respective roles;
- Reviewed and Updated Code of Corporate Governance and Contract Procedure Rules;
- The establishment of an Investment and Change Board to oversee co-ordination and appropriate governance for all of the Council's regeneration, investment and major change programmes;
- The completion of a financial resilience review in light of recent national commentary on the sustainability of council financing and reserves.

4. Audit Outcomes 2017/18

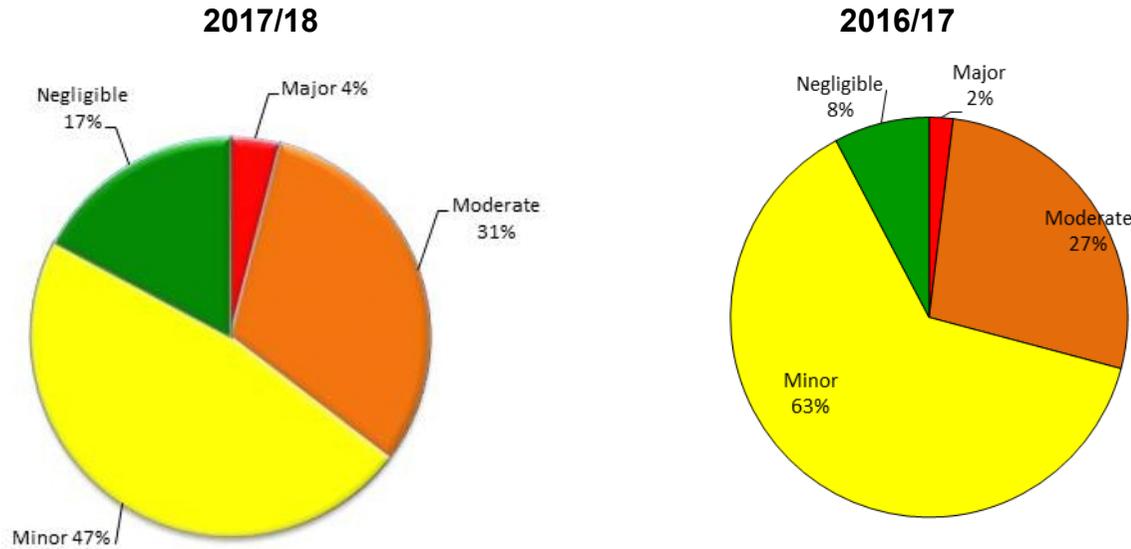
4.1 Assurances Issued During 2017/18

My opinion has taken account of the relative materiality of areas reviewed and management's progress in respect of addressing control weaknesses. Whilst all audit outcomes have contributed to the overall opinion, the following reviews and their outcomes are considered particularly relevant in determining my overall opinion.

4.2 Audit Opinions Provided

The charts below illustrate the organisational risk opinions provided in audit reports produced during 2017/18 and the previous year 2016/17. These opinions identify the risk to the organisation of the audit findings taking account of the impact and likelihood of occurrence with 'Major' being the most significant and 'Negligible' presenting the least risk opinion to the organisation.

It is notable that opinions provided in audit reports produced during 2017/18 are very similar to the previous year when making a direct comparison, with slight increases in in the number of audits identifying 'Major' and 'Moderate' risk opinions possibly reflecting the current challenging nature of the public sector landscape. The modest nature of these increases does not at this moment in time present any cause for concern and is counteracted to some degree by the increase in those audits identifying 'Negligible' opinions and reflecting strong control environments. The vast majority of the opinions provided remain within the 'Minor' and 'Negligible' risk categories, and the underlying message certainly suggests that there remains an awareness and understanding amongst officers and management of the need for robust systems of control and governance across the organisation.



These opinions are explained in more detail below:

4.2.1 Negligible Organisational Risk Opinion

A Negligible organisational risk indicates that there were no weaknesses identified during the audit review and that the Council is not exposed to any risks directly associated with the findings. This opinion was provided for the following audits:

Wirral Council Internal Audit Service
 Annual Chief Internal Auditor's report for the year ended 31 March 2018

Accounts Receivable
Anti-Bribery Policy
Brackenwood Junior School
Bus Subsidy Grant
Elleray Park School
HMRC - IR35
Housing Benefit Subsidy Claim 2016/17
International Auditing Standards
Leasowe Primary School
MPF Benefits Payable
MPF Employer Covenants
NDR - Credits & Refunds
Selective Licensing
St Annes Catholic Primary School
St Peters Catholic Primary School (B'Head)

4.2.2 Minor Organisational Risk Opinion

A Minor organisational risk indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to minor non fundamental or material risk. This opinion was provided for the following audits:

Advantage Digital Portal
Anti Fraud and Corruption Policy

Wirral Council Internal Audit Service

Annual Chief Internal Auditor's report for the year ended 31 March 2018

Bidston Avenue Primary School
Bidston Village Primary School
Council Tax - Recovery
Counter Fraud and Corruption Strategy
CRC Testing
Devonshire Park Primary
Discretionary Housing Payments
Dock Bridges Grants
Fraud Response Plan
Gayton Primary School
Greasby Infant School
Greasby Junior School
Highways Assets
Income Control
Insurance - In-House Handling of Public Liability Claims
Intensive Housing Management
Irby Primary School
IT Equipment Procurement
Leisure Petty cash
Manor Primary School
Mersey Regional Fraud Group
MPF Debt Recovery Review
MPF Governance Review

National Fraud Initiative Co-ordination & Monitoring
National Fraud Initiative Reporting
Performance Management
Public Fraud Awareness Campaign
Scrutiny Function
Serious Organised Crime Audit
St Andrews CE Primary School
St Josephs Catholic Primary School (Upton)
St Werburgh's Primary
STEP Grants Q1
STEP Grants Q2
TF Claim Certification 1
TF Claim Certification 2
The Priory Parish CE Primary School
Whistleblowing
Wirral Growth Company
Woodchurch CE (Aided) Primary School

4.2.3 **Moderate Organisational Risk Opinion**

A Moderate organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a 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 systems and/or corporate objectives. This opinion was provided for the following audits:

Accounts Payable Bank Mandates
Annual Governance Statement Review
Anti Bribery Policy
Bank Mandate - Identity Fraud Review
Capital Financing
Car Parking
Court of Protection
Cyber Risk Management
Data Quality - Childrens Dashboard
Digital Information Storage
Direct Payments - Adults
Direct Payments - Children
Ethical Framework
Floral Pavilion
GDPR
Golf Course Operation
Highway Service Contract
IT Equipment Disposal
Liquidlogic
Partnerships
Planning Approvals
Risk Management
Social Care Integration
Social Care Integration - Integrated Commissioning Hub
Social Care Transformation - Transfer to Community Trust
Strategic Alignment
Teacher Pension Enhancements
Wirral Tennis & Sports Centre

4.2.4 Major Organisational Risk Opinion

A Major organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a major risk of a fundamental or material nature. This opinion suggests that 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.

The schedule below identifies those reports produced during the year that contained ‘Major’ organisational risk opinions. In all cases management action to address reported weaknesses was agreed and appropriate actions either taken or started during the year as indicated.

Audit	Outcome
<p>Access Wirral Transformation Project</p>	<p>Following an audit review undertaken at the request of the Corporate Director for Business Management a number of actions were agreed with management to significantly develop and improve the control environment in operation that included the following:</p> <ul style="list-style-type: none"> - Improved and more timely reporting to Business Overview and Scrutiny Committee. - The development of more robust processes for verifying the technical validity of projects. - Improved communications regarding roles and responsibilities. - Project wide lessons learned exercises to be routinely completed. - Robust risk management processes to be established for all projects. <p>A detailed action plan has been agreed with senior management and implementation is underway with all actions either implemented or in progress. Internal Audit are scheduled to undertake follow up work during 2018/19 to ascertain progress being made to address identified issues and evaluate effectiveness of revised arrangements.</p>

<p>Attendance Management</p>	<p>Issues identified during audit reviews of Attendance Management have been escalated for inclusion within the Significant Governance Issues Action Plan and actions in this area subject to oversight by the Corporate Governance Group as well as ongoing reporting to the Strategic Leadership Team and the Audit and Risk Management Committee. Targeted actions have been taken during the year to address reported issues and improvement has been made, as identified in Section 3.3.2 of this report. Follow up work conducted by Internal Audit late in the year indicates that whilst much improvement has been made their remains work to be undertaken by the organisation to ensure that corporate compliance with policy and procedure is consistent across the whole of the organisation. Senior management are currently taking actions to address this and further audit follow up work is scheduled for 2018/19 to evaluate progress made.</p>
<p>Information Asset Owners Accountability</p>	<p>The audit review identified a number of areas of weakness in compliance with the Data Protection Act, the General Data Protection Regulations and Data Handling Guidelines in the following areas:</p> <ul style="list-style-type: none"> • Clarity regarding roles and responsibilities of designated Information Asset Owners (IAO); • Senior Information Risk Officer (SIRO); • Information Risk Register; • Documented judgement on security and use of business assets. <p>Following the audit and escalation of this matter to SLT and ARMC appropriate actions are being undertaken by senior management to address the weaknesses identified that have already included the appointment of a permanent Senior Information Risk Owner (SIRO). Internal Audit are scheduled to undertake further work in this area during 2018/19 that includes an assessment of progress made.</p>
<p>Overpayments To Carers</p>	<p>An audit review of the payments of Special Guardianship Orders resulted in a major organisational risk opinion as system weaknesses were identified allowing overpayments to be made to carers, specifically due to originally assessed valid payments not ceasing at the due date entitlement ended. Follow up work during the year has provided evidence that key improvements have been made within the Liquidlogic system which now flags in advance a warning to managers that entitlement is to cease, and this is considered to effectively reduce the risk of any recurrence of the previous overpayments situation.</p>

4.3 Additional Work during 2017/18

Additional work by internal audit during the year has included involvement in investigation work, input to developing systems and a separate programme of work for Counter Fraud, including strategy development and raising awareness.

4.3.1 Counter Fraud

The Internal Audit Counter Fraud Team has continued to chair and co-ordinate the activities of the Mersey Region Fraud Group (MRFG), which consists of a number of neighbouring authorities and partner organisations. The group is still committed to developing a regional approach to counter fraud and much work has been undertaken during the year to facilitate this, including the production of generic policies and procedures and undertaking collaborative working in targeted areas, such as data matching and other counter fraud exercises.

To ensure that the Council continues to maintain a strong awareness of the threats posed by fraud and demonstrates a commitment to combatting this type of activity the Team has during the year produced the Council's Counter-Fraud and Corruption Strategy, which clearly identifies the Council's commitment to an effective Counter-Fraud and Corruption approach as part of its overall Corporate Governance arrangements. The Strategy outlines the principles that the Council is committed to in preventing and reporting fraud and corruption.

In addition the team has reviewed and amended the following policy documents during the year, which form an important part of the Counter-Fraud and Corruption Strategy by setting the tone, culture and expectations of the Council, as part of the corporate framework:

- Anti-Fraud and Corruption Policy -
- Fraud Response Plan
- Anti-Bribery Policy

These Counter-Fraud and Corruption documents as well as the various related Strategies and Policies were promoted across the Authority and are now identified as key documents that all employees are required to read on an annual basis, as part of one to one or performance appraisal meetings.

The team continues to maintain the fraud register which is used to collate details of all reported fraudulent activity across the Council, whether investigated by the Counter Fraud Team or by the relevant department. This facilitates the completion of the CIPFA Fraud and Corruption Tracker, which is coordinated by the Team on behalf of the Council. The information contained within the register has been used to identify potential weakness and areas that may be susceptible to increased attempts of fraud and as such where Counter Fraud resources need to be directed.

The Team coordinated its annual week long Public Fraud Awareness Campaign in November 2017, in collaboration with the Fraud and Compliance Team, Insurance & Risk, Publicity and other neighbouring authorities. The aim of the exercise was to raise public awareness of fraud and encourage Wirral Residents/Businesses to help spot and report fraud - "*Spot it and Stop it*". The campaign involved posters and leaflets in Council run public buildings, advertisements in the local media and messages on the Council's Website, Facebook/Twitter pages.

The Counter Fraud Team also provide advice and guidance to departmental officers investigating suspected frauds and irregularities in cases where these are investigated within the department. The last year has seen an increase in the number of referrals from Departments as the profile of the team has continued to rise and become more widely known to management of the Council.

4.3.2 CIPFA Fraud and Corruption Tracker (CFaCT)

In June 2017 CIPFA's CFC carried out an annual survey of fraud and corruption detected in local authorities in England. The survey includes questions commissioned by the Fighting Fraud Locally Board and the Home Office, to provide a picture of the amount of detected fraud, emerging risks and actions taken by local authorities across the country to combat fraud and corruption.

The CFaCT identified that procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas

These areas have, as in previous years been incorporated into the annual Internal Audit planning process and audit work has been identified that will be undertaken during 2018/19.

4.3.3 National Fraud Initiative

The Counter Fraud Team facilitates and co-ordinates the Council's participation in the National Fraud Initiative which the Council is required by law to participate in.

Data sets were submitted in October 2016 for the 2016/17 National Fraud Initiative biennial data matching exercise and results of data matches were received at the end of January 2017. For this current NFI exercise £384,226.91 has been identified to date, of which £328,712.82 is/or is the process of being recovered.

4.3.4 Referrals

For the financial year 2017/18 Internal Audit received 73 reports and referrals via a number of sources. This represents an increase of 16% from 2016/17 and is partly due to an increased awareness of fraud risks amongst employees and members of the public as a result of successful publicity campaigns run during the past two years. The type of issues covered a broad spectrum of the Council's activities including:

- Bank Mandates
- Blue Badges
- Theft of Income

4.3.5 Developing Systems

During the year Internal Audit has had input to a number of systems being developed that includes the following, advising on the control environment and proportionate risk responses:

- Wirral Growth Company

- Local Government Pension Scheme Annual Return
- Utility Electronic Billing
- Information Governance
- Licencing
- Risk Management arrangements
- Integrated Commissioning Hub

4.3.6 Value for Money /Consultancy work

Whilst value for money work is implicit within all audit work a limited number of specific exercises has been undertaken during the year as detailed below. Time has been included within the Audit Plan to develop this approach and increase our focus in this area on proactive, value adding reviews to support the organisation in delivering increased budget savings and managing service redesign. Work in this area will undoubtedly increase and this has been reflected in the work plan.

- Housing Benefit – Intensive Housing Management
- Social Care Transformation
- ERP System
- Advantage Digital Portal (C Tax)
- HMRC IR35 compliance

4.3.7 Schools Work

The objective of the schools' audits was to form an opinion on the effectiveness of the controls within schools in ensuring appropriate levels of governance are exercised by the governing body and school's management over the delegated budget.

The risk self-assessment approach developed to ensure a more effective use of internal audit resources has continued. This approach targets those schools which are most in need of independent review and advice in a more timely fashion and also ensures that all schools are audited over a three year cycle.

The questionnaire utilised was developed based on the '*Scheme for Financing Schools*' which is statutory guidance provided by the Department for Education for local authorities. It relates to Section 48 of the School Standards and Framework Act 1998, and Schedule 14 to the Act.

The audit questionnaire is designed to enable the assessment of controls currently in operation at schools on a more timely basis. The questionnaire highlights a range of high risk controls and systems, including those affected by recent changes in LA procedures, such as the introduction of SelfServe. Audit findings and feedback during the year suggest that the approach continues to be well received by Schools and has encouraged them to take greater ownership of their systems and with ongoing support and guidance from Internal Audit and the LMS Unit ensure that appropriate and effective systems of control are in operation. It is our intention to continue to develop this approach in the future to incorporate more emerging risks such as data management as well as some targeted audits at schools rated as being at higher risk.

The Wirral Electronic School Communications Website (WESCOM) continues to be utilised by Internal Audit to convey best practice learning points in response to issues raised during individual audits for the collective benefit of all schools. Customer feedback in response to our audit approach, questionnaire supported by school visits, and resulting recommendations remains extremely positive.

Attendance at schools Headteachers and Bursars forums have continued to be a feature of our approach to these audits during 2017/18, involving regular engagement with representatives from schools and advising on risks, threats and the utilisation of effective controls to mitigate. This will continue during 2018/19 as feedback indicates that this is well received and adds enormous value to schools operations.

In addition, an ICT/Information Governance related questionnaire was developed during 2017/18 and despatched to all schools. This included targeted questions on GDPR, data security and the use of IT systems. The results from the exercise have been extremely useful in identifying potentially significant control risks and areas for improvement. This information has been utilised to inform the 2018/19 audit planning exercise that has resulted in some additions to the Audit Plan for 2018/19 that includes some targeted thematic audit work in areas such as GDPR compliance across a small sample of schools with the results and any required actions being cascaded across the whole sector.

4.3.8 External Work

Edsential

As part of a two year SLA with Edsential to provide Internal Audit Services, a range of audit projects to evaluate the effectiveness and good governance of the service provider were completed in 2016/17, in line with the audit plan agreed with the Edsential Board. No audit reviews were completed during 2017/18 although the service continues to liaise with Edsential regarding the provision of Internal Audit services during 2018/19.

Evolutions

Internal Audit work was performed at Wirral Evolutions during the year that involved investigatory work and number of risk based audits covering governance, income and financial policies and procedures. Audit work is presented to the Managing Director and the Board, and all recommendations made have been implemented in a timely fashion.

Wirral Evolutions are retaining Internal Audit services for the 2018/19 year at least and advise us that they find the 'critical friend' approach very useful as they continue to develop. Work planned for 2018/19 includes further work on financial and governance systems as well as risk based operational audits and reactive advice and assistance.

4.3.9 Other Work

The Internal Audit team's resources have been applied in several other respects:

- Support to the Audit and Risk Management Committee including training provision;
- Attendance at monthly meetings with the Chair of the Audit and Risk Management Committee;
- Support to and attendance at the Corporate Governance Group;
- Support to and attendance at the Information Governance Delivery Group;
- Support to and attendance at the Governance Review Group;
- Support to prepaid card user group by attendance at meetings with service provider;
- Attendance at regular meetings with the Section 151 Officer;
- Regular attendance at the Strategic Leadership Team;
- Attendance at Departmental Management Team meetings
- Regular meetings with Directors
- Grant claims;
- Provision of ad-hoc advice;
- Annual planning and reporting,
- Collation of evidence for the preparation of the 2017/18 Annual Governance Statement.

5 Effectiveness of Internal Audit

5.1 Internal Audit Standards

Internal Audit fully complies with the CIPFA Code of Practice for Internal Audit which has until recently been the pre-eminent best practice standard for public sector internal audit providers.

From 2013 Internal Audit are required to adhere to the new Public Sector Internal Audit Standards (PSIAS) which replace the Code of Practice and require all public sector internal audit providers to be fully compliant with by 2018. Regular update reports on this have been presented to the Audit and Risk Management Committee during 2017/18 advising Members of the evolving requirements and progress being made by the service to become compliant.

The new Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The PSIAS require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Wirral Council has adopted the peer challenge assessment approach developed by the North West Chief Audit Executive's Group. This approach is acknowledged and supported by the Chartered Institute of Public Finance Accountants (CIPFA), the Chartered Institute of Internal Auditors (CIIA) and External Audit colleagues as being a best practice method of satisfying the requirements of the Standards and ensuring that internal audit are providing a robust and effective service. This actual assessment took place in March 2018 and provided Wirral Council with 'full compliance' assessment opinion.

Grant Thornton in its reporting continue to acknowledge that Internal Audit provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment to the Council.

5.2 Quality Assurance Improvement Programme

The Internal Audit Service operates a Quality Assurance Improvement Programme (QAIP) that is designed to provide all stakeholders with reasonable assurance that the service performs its work in accordance with the Internal Audit Charter and Strategy and is compliant with the Public Sector Internal Audit Standards and Internal Audit Code of Ethics. The QAIP is designed to cover all elements of internal audit activity in accordance with PSIAS Standard 1300 ensuring compliance, adding value and helping improve organisational operations. The QAIP has a number of different elements that contribute towards an ongoing assessment of the nature and effectiveness of the service delivered and the performance of individual auditors, identifying areas for improvement and development on a continuous and ongoing basis. Included within the QAIP are the following and any improvement actions arising in year have been included within both Internal Audit Service and Personal development plans and reported to the Audit and Risk Management Committee:

- Customer Satisfaction Surveys
- Post Audit Assessments
- Auditor Skills Appraisal
- Core Competencies

5.3 Internal Audit Developments

A number of improvements have been made during the year to the Internal Audit Service that have been designed to increase the overall efficiency and effectiveness of systems of internal audit across the Council. Some of these improvements include:

- The implementation of revised audit working papers to reflect current best professional practice;
- Enhanced reporting arrangements for Chief Officers and Members to reflect organisational change;
- Further development of the self-assessment approach to auditing Schools promoting ownership of issues and utilising audit resources more efficiently;
- Development of Information Governance/GDPR questionnaire for Schools;

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- Improved performance management utilising quality assurance improvement programme outcomes;
- Continuous development of the approach to the AGS work incorporating changes resulting from new CIPFA/SOLACE best practice guidance and updated Governance Assurance Statement;
- Further utilisation of the Wescom system to communicate more effectively the outcomes of Schools audits and best practice points of note,
- Continuous ongoing improvements to engagement arrangements with Chief Officers, managers and Members;
- Developed reporting arrangements for ARMC members;
- New reporting arrangements introduced for the Merseyside Pension Fund including annual/quarterly reporting to the Pensions Board;
- Reviewed and revised Internal Audit Strategy and Charter incorporating changes resulting from Public Sector Internal Auditing Standards (2016), endorsed by ARMC;
- Regular scheduled attendance at management meetings and the Strategic Leadership Team by the Chief Internal Auditor;
- Ongoing benchmarking against other audit service providers;
- Developed relations with Chief Audit Executives from across the Mersey and North West regions;
- Further development of the Mersey Counter Fraud Group including the establishment of more proactive collaborative cross boundary working;
- Further development of the Intranet facility as a vehicle for communicating audit and risk related issues to clients;
- Development of automated working papers and reports;
- Ongoing restructuring of automated working folders to reflect GDPR requirements regarding information governance;
- Implementation of local arrangements to ensure compliance with the Local Audit and Accountability Act, specifically regarding the procurement of external audit services through Public Sector Audit Appointments Ltd;
- Increased utilisation of mobile technology to enhance efficiency and effectiveness;
- Full compliance with the Public Sector Internal Audit Standards;
- Update and development of counter fraud strategy, policies and procedures.

Many of these initiatives will continue to be the subject of ongoing review during 2018/19 to ensure that the very best use of all available resources is made and that Internal Audit continues to provides a value added service to the Council.

5.4 Performance Indicators

For 2017/18 the internal audit service continued to set some challenging targets for all of its key measures, but particularly 'plan delivery' and 'acceptance of High priority recommendations'.

These indicators form part of the overall service performance reporting information for senior management and the Audit and Risk Management Committee.

For 2017/18 summaries of the post audit feedback forms indicate an overall satisfaction rate of 100% with the audit service, with 80% of those respondents actually noting that they were 'very satisfied' and none indicating any grading of dissatisfaction with the service provided.

The table below details the key performance measures relating to Internal Audit and actual performance for 2017/18:

IA Performance Indicator	Target	Actual
Percentage delivery of IA Plan 2017/18	100	100
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating 'satisfaction' with the IA service.	80	100
Percentage of internal audit reports issued within 10 days of completion of fieldwork.	100	99

5.4.1 Completion of the Internal Audit Plan for 2017/18:

The plan was 89% complete as at the 31 March with 11% carried over into 2018/19 with completion during April/May 2018. This predominately related to audit work started late in the financial year and carried over for completion. At the time of writing this report the IA Plan for 2017/18 was 100% complete. All of the contingency days were utilised, predominately on referrals and investigations work, this equates to 6% of the total audit days available.

5.4.2 Final reports issued within 10 working days of completion of fieldwork:

The average delay on top of this was 1 day and the majority were delays in obtaining management responses to the reports, a factor largely beyond the control of Internal Audit management.

5.4.3 Some of the comments received on the Customer Survey Feedback Questionnaires:

“Excellent service, really helpful and useful advice, felt at ease and very supported, I feel a lot more confident in my role”

“Actions will support us in making our systems more effective”

“Very pleased with the succinct wording of the report and the overall approach of the audit”

“The Auditor's comments were fair and action points achievable”

“Rigorous and professional service”

“Effective and timely, the support of Internal Audit has been very much appreciated”

Minuted feedback received from the Audit and Risk Management Committee during 2017/18:

“The Members congratulated the Chief Internal Auditor and his team in respect of the work undertaken”

Feedback from the Deputy Chair of the Audit and Risk Management Committee:

“Spending time with the Internal Audit Team helped me understand the attention to detail that the staff employ whilst undertaking their day to day work”

“Many thanks for arranging the CIPFA training on Audit & Risk Management Committees – it was and continues to be extremely useful”

5.5 Follow up Procedure

Internal Audit undertake a follow up audit of every completed assignment and report the findings to senior management, the Strategic Leadership Team and the Audit and Risk Management Committee. A summary of all recommendations made for each report is provided for the Audit and Risk Management Committee Members bi-monthly identifying:

- The actual number of recommendations made for each report and the summary narrative for each High risk recommendation made;
- The opinions provided in each audit report;
- The position statement for each High risk recommendation;
- RAG ratings indicating actions required and follow up status.

Where there is a failure to implement agreed critical or high priority recommendations by the due date, without any justification for not doing so, a formal process of notification to the Chief Officer and SLT followed by referral to the Audit and Risk Management Committee is in operation.

5.6 Working with External Audit

The Government introduced legislation for local audit during 2013. The legislation abolished the Audit Commission and in line with the government changes the Audit Commission appointed Grant Thornton as the Council's external auditors until 2017. During 2017, Public Sector Audit Appointments (PSAA) on behalf of local Council's undertook a procurement exercise to appoint external auditors to these bodies for a period of five years. Grant Thornton were appointed as the external auditors for Wirral Council.

Throughout 2017/18 the close links with External Audit continued to be important particularly given this change and Internal Audit have liaised closely during the year with External Audit to ensure that any unnecessary duplication has been avoided and resources have been utilised to the best effect. Close links with External Audit have been evidenced by:

- Provision of our plan to them for comment,
- Sharing of our reports and working papers,
- Local progress meetings on a regular basis; and,
- The development and implementation of a formal working protocol.

5.7 Working Relationships

Internal audit have continued to enjoy positive working relationships with staff at all levels of the Council. This assistance is acknowledged and welcomed.

1 Scope, Responsibilities and Assurance

1.1 Approach

- 1.1.1 In accordance with the CIPFA Code of Audit Practice and the Public Sector Internal Auditing Standards, the scope of internal audit encompasses all of the Council's operations, resources and services including where they are provided by other organisations on their behalf.

1.2 Responsibilities of Management and Internal Auditors

- 1.2.1 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- 1.2.2 However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to Chief Officers as they have become known to us, without undue delay, and have worked with them to develop proposals for remedial action.
- 1.2.3 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 1.2.4 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.

1.3 Basis of Our Assessment

- 1.3.1 My opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit and Risk Management Committee. We have obtained sufficient, reliable and relevant evidence to support the recommendations that we have made.

1.4 Limitations to the Scope of Our Work

- 1.4.1 There have been no limitations to the scope of our work.

1.5 Limitations on the assurance that internal audit can provide

- 1.5.1 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 1.5.2 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

1.6 Access to this Report and Responsibility to Third Parties

- 1.6.1 This report is prepared solely for Wirral Council and forms part of a continuing dialogue between the Internal Audit Service, the Section 151 Officer, Chief Executive, Audit and Risk Management Committee and management of the Council. It is not therefore intended to include every matter that came to our attention during each internal audit review.
- 1.6.2 I acknowledge that this report may be made available to other parties, such as the external auditors. I accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, I expect the external auditors to determine for themselves the extent to which they choose to utilise our work.