



Audit and Risk Management Committee
Monday, 24 September 2018

REPORT TITLE:	INTERNAL AUDIT UPDATE
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st July to 31 August 2018. There are three items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 3.2.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1. Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely bi-monthly basis. This report supports these arrangements by focussing on the following:

- Any items of note arising from audit work conducted,
- Any issues arising that require actions to be taken by Members,
- Performance information relating to the Internal Audit Service,
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report is for the period 1st July to 31st Aug 2018.

3.2. Items of Note

3.2.a Wirral Growth Company

Internal Audit has to date maintained continuous ongoing involvement with the developing Wirral Growth Company in the following manner:

- Attendance and input to regular Finance work stream meetings which feed into the overall project governance,
- Regular meetings with Project Sponsor and Project Managers to discuss risks and implementation of mitigating controls,
- Meetings with Muse Directors to discuss governance and operational controls over planned operational systems,
- Ongoing access to all related documentation including minutes of meetings and associated reports including those of a confidential nature

and the provision of opinion and insight into ongoing related governance arrangements.

Audit points raised to date concern the project risk register, clarity of the basis for the development fees, and the process for ensuring that any future contractual claims on the Growth Company have been satisfactorily addressed. Internal Audit will continue to seek appropriate evidence for these and other salient risk issues arising in future months as the business plan is finalised and contracts formalised.

A visit to the head office of the development partner is scheduled for this month to gain full assurance regarding access to project and contractor costs and relevant records should this be required, the intention is to commence producing an 'Audit Position Statement' on the project to the Project Sponsor and Accountable Officer detailing assurances and highlighting any risks and concerns and this will be reported to this Committee in due course. When contracts have been completed and work is scheduled the activity of the Wirral Growth Company will be reviewed and reported on in the customary manner with outcomes being presented to this Committee for note or action as appropriate.

3.2.b Data Centre Security

Audit work has been completed to evaluate and test the effectiveness of the physical security arrangements in operation at the Council's new Data Centre located at Mersytravel's Georges Dock site to provide assurance that robust controls are in place to prevent unauthorised access and protection from environmental risks.

The findings from the audit indicated that overall security was effective however a small number of recommendations to improve arrangements were agreed with the Data Centre Manager and senior officers from the Council that included access rights and protocols and some minor contractual adjustments; and a moderate organisational risk opinion was identified.

All of the agreed actions have been implemented.

2.c Referrals

The section is currently investigating a number of referrals that are of a fairly complex nature and have required resources to be utilised from elsewhere within the service. This work has to date been accommodated from within the contingency element of the Audit Plan and has not had a significant impact upon overall delivery of the plan. I will however continue to monitor this and report upon any problems as they materialise so that appropriate action can be taken.

3.3 Outstanding Audit Recommendations

3.3.a Attached at Appendix 1 is a 'tracker' table identifying information relating to those audits where recommended actions included in audit reports for the

current year to date have not been fully implemented within agreed timescales and yet still present a serious risk.

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

3.3.c All of the reports identifying outstanding actions are currently BRAG rated as 'amber' indicating that progress is being made to address identified issues

3.4 Internal Audit Performance Indicators

3.4.a The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. These include delivery of the annual Internal Audit Plan and ensuring that all of the audits identified in the plan are completed on schedule. This is particularly important at the present time as the requirement for Internal Audit involvement in a number of important corporate initiatives has increased dramatically.

IA Performance Indicator	Target & (No)	Actual
Percentage delivery of Internal Audit Plan 2018/19.	30	27
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90 (10)	100
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	100

3.4.b There are currently no significant issues arising.

3.5 Internal Audit Developments

3.5.a Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such a Continuous Internal Audit Improvement and Development Plan has been formulated that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include:

- Successful integration of risk management function into the service;

- Ongoing improvement of corporate counter fraud awareness across the Council as evidenced in Counter Fraud Update reports presented to this Committee;
- Continuing development of more automated working papers and reports to evidence and support audit findings;
- Continued ongoing development of the Mersey Region Counter Fraud group led by Wirral Internal Audit to include more joint fraud exercises and training across the local region and the North West of England including counter fraud publicity campaign scheduled for November 18;
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning process;
- Ongoing improvements to the audit reporting format;
- Development of a comprehensive ICT Schools assessment questionnaire incorporating information governance and GDPR compliance;

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

8.0 ENGAGEMENT/CONSULTATION

8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2018/19

SUBJECT HISTORY (last 3 years)

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