



**Audit and Risk Management Committee**  
**Monday, 19 November 2018**

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

**REPORT SUMMARY**

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1<sup>st</sup> September to 31 October 2018. There are seven 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 1<sup>st</sup> Sept to 31<sup>st</sup> Oct 2018.

#### **3.2. Items of Note**

##### **3.2.a Integrated Commissioning Hub**

An audit was completed to examine and evaluate the control environment in operation over this key corporate initiative. The findings from the review indicate that Council officers have worked closely with CCG leads throughout the ICH project to identify and resolve issues and ensure that the strategic partnership is successfully implemented.

Ongoing funding pressures and planned risk share arrangements remain significant risks for the project. A key risk mitigation for 2018/19 is that the total expenditure included in the pooled funding will be limited. It is proposed that, with one service exception, all of the Social Care and Wirral CCG expenditure will be included in the pooled fund for 2019/20. This planned extension of the pooled fund arrangement will bring added financial risks and

a key mitigation will be the risk / gain share agreement proposed. Agreeing this more sophisticated risk share agreement will be a key challenge over the next six months and will require a greater transparency and mutual understanding of underlying financial pressures from all officers involved.

Detailed working arrangements continue to be further developed and refined and further Internal Audit review work is scheduled for 2018/19 including a joint piece of targeted work with officers from the Mersey Internal Audit Agency who provide internal audit services to the NHS. The outcomes including any agreed actions will be notified to this Committee in due course.

### 3.2.b Risk Management

Audit work scheduled in this area for the remainder of the year includes a consultancy assignment aimed at providing best practice guidance and support for officers involved with the implementation of the new arrangements. This is planned to include assistance with mapping the controls in operation including identification of sources of assurance for the corporate risks and the critical corporate operational risks. The outcome of this work will be an updated Risk Assurance Map for the organisation which will be reported to this Committee upon completion.

### 3.2.c Code of Corporate Governance

Work has been undertaken this period in conjunction with colleagues from Legal Services to produce the draft Code of Corporate Governance which is a separate item on the agenda.

### 3.2.d Windows 10 Project

Following discussion at the previous meeting of this Committee a targeted piece of audit work has been started this period to evaluate the controls in place to manage and monitor the capital spend during the windows 10 roll out project. Additionally we will be reviewing the controls to record deployment of the Microsoft Surface Pros to ensure that they are purchased in accordance with the contract and are sufficiently recorded in an asset record. The findings from this review will be reported to this Committee upon completion of the work including any actions arising.

### 3.2.e Transaction Management – Personal Finance Unit

An audit has been conducted to review the key risks for the Personal Finance Unit (PFU). The focus of the audit was to assess whether the progress made and impact of actions agreed at a previous audit had effectively reduced the risks to the Authority. The following operational areas were also included within the scope of the review at the request of senior management:

- Complaints;
- Debt Panel;
- Service Level Agreement;
- Systems Administration; and,

- Telephone Resources.

The conclusion from this review is that the findings identified in our previous report have been considered and progress has been made in implementing agreed recommendations. However, an embedded Service Level Agreement remains an outstanding key issue and a significant barrier to the effectiveness of the PFU operation. The audit resulted in six recommendations agreed with senior management to address the issues identified and improve operations, including two of a high priority status that related to the operation of the Debt Panel and the Service Level Agreement. A follow-up review will be undertaken by Internal Audit in February 2019 to assess the progress made with implementing the recommendations.

### 3.2.f Business Management – Insurance

A routine audit has been undertaken of the Insurance Function within Business Management as part of the Internal Audit Plan. The scope of the audit was to evaluate the adequacy of the controls in mitigating the identified risks associated with: Policies and Procedures; Contract Tendering; Documentation; Claims Administration incorporating imprest accounts; Monitoring and Reporting; and Business Continuity.

The audit identified that the Insurance operations are effective in achieving their objectives although some areas were identified where the arrangements could be strengthened. These include the production of:

- A comprehensive Insurance Strategy to demonstrate that the established insurance system complies with legislation, professional best practice and the Council's requirements, standards and objectives.
- A Business Continuity Plan to demonstrate that there is planning and preparation in place to ensure that the Insurance Function can overcome serious incidents or disasters and resume its normal operations within a reasonable time frame.
- Performance standards and targets which are subject to regular monitoring and review.

This audit findings and recommendations have been discussed and agreed with the Senior Risk & Insurance Officer and a follow-up review will be undertaken by Internal Audit in February 2019 to assess the progress made with implementing the recommendations.

### 3.2.g Counter Fraud Publicity Campaign

Internal Audit will be coordinating a week long **Fraud Awareness Campaign** aimed at both members of the public and staff members which will commence on the 12 November 2018. The campaign is a collaboration between the IA Counter Fraud Team, Benefit Investigation Team, Insurance and Risk, Publicity and Human Resources. The campaign is scheduled to coincide with the International Fraud Awareness week and has also involved collaboration with other Mersey Region Authorities.

The aim of the week is to heighten members of the public and employees awareness of the scale, nature and impact of fraud in the public sector and the signs to look out for, as well as directing individuals to reporting procedures and processes. In addition, staff members are encouraged to complete the fraud awareness e-learning course which provides additional information including how to identify and report potential fraud. Members are requested to support this initiative in the usual manner.

### 3.3 Outstanding Audit Recommendations

3.3.a Members will recall that Internal Audit maintains a record of all agreed actions identified in audit reports including progress made by officers to address issues and implement recommendations. A regular 'Tracker Table' is prepared each period as an attachment to this report identifying any actions that remain outstanding beyond the agreed timescale and including a BRAG rated evaluation of progress being made.

3.3.b For this reporting period there are currently no recommended actions from audit reports that have not been implemented within agreed timescales therefore the 'Tracker' table has not been included on this occasion.

### 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.	42	40
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90 (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 and forthcoming publicity campaign;
- 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;
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning and risk management process;
- Ongoing improvements to the audit reporting format;
- Improvements to Schools assessment questionnaire incorporating more emphasis on information governance following GDPR;

### **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**

None

## **REFERENCE MATERIAL**

Internal Audit Plan 2018/19

## **SUBJECT HISTORY (last 3 years)**

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