



**Audit and Risk Management Committee**  
**Monday, 28 January 2019**

<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> November to 31 December 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 1<sup>st</sup> November to 31<sup>st</sup> December 2018.

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

##### **3.2.a Commercialism**

An audit has recently been completed to examine and evaluate the developing processes around Commercialism across the Council, specifically the development, appraisal, acceptance and monitoring of ideas to develop income generation. The findings from the review identified that many key aspects of governance, record keeping and training have improved significantly and a greater understanding of the opportunities and risks associated with this type of activity exists amongst the workforce including the need for effective control and governance arrangements to mitigate risks presented. The main recommendation identified from the work undertaken and agreed with senior management was for a clearer process to be established to ensure that all relevant details of new commercial ideas are

reported to the Investment and Change Board in a timely fashion for consideration.

### 3.2.b Risk Management

Audit work continues to be undertaken in this area providing best practice guidance and support for officers involved with the implementation of the new arrangements through various working groups. This includes 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 ICT Audit Work

Audit work has been focussed in the following areas this period with work currently ongoing to evaluate and test the effectiveness of controls in operation:

- Email Security
- Data Security Standards – Payment Cards
- Software Licensing
- Cyber Security Risk Management - Follow Up

Upon completion of this work actions to address any issues identified will be agreed with senior management and reports prepared detailing these actions and agreed timescales. Outcomes from this work will be included in the bi-monthly reports for Members of this Committee and items escalated for action or noting as appropriate.

## 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 or are not currently being addressed by management within agreed timescales and 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.

<b>IA Performance Indicator</b>	<b>Target &amp; (No)</b>	<b>Actual</b>
Percentage delivery of Internal Audit Plan 2018/19.	63	62
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 (7)	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 the recent 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;
- Development of Traded Services offer to Academy Schools for Internal Audit services;

- Improvements to Maintained Schools assessment 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.

**REPORT AUTHOR:** Mark P Niblock  
 Chief Internal Auditor  
 telephone: 0151 666 3432  
 email: markniblock@wirral.gov.uk

#### **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.