



**Audit and Risk Management Committee**  
**Monday, 11 March 2019**

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|----------------------|-------------------------------|
| <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> January to 28 February 2019. There are four 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> January to 28<sup>th</sup> February 2019.

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

##### **3.2.a Annual Governance Statement**

Work is currently in progress in conjunction with colleagues from Governance and Assurance to support the preparation of the Annual Governance Statement for 2018/19. This work involves meetings with Directors to discuss the effectiveness of arrangements in their respective areas as well as the completion of Governance Assurance Statements and targeted work.

Outcomes from this work will be reported to the Corporate Governance Group and SLT before consideration by Members and other stakeholders in May 2019.

### 3.2.b Integrated Commissioning

A joint audit review with Merseyside Internal Audit Agency (CCG Internal Auditors) has recently been completed to review key aspects of this important initiative. The work culminated in a position statement being prepared for the joint venture on key aspects of governance, risk management, commissioning and contracting, performance management and finance. Matters reported included:

- Overarching governance arrangements and Terms of Reference are clearly detailed in the underpinning S75 document;
- A risk register is in the process of being developed; finance and performance risks are reported to key meetings;
- There are clear examples of success in joint working; it is recognised by both partners that there is significant transformation and change required to develop a truly integrated commissioning and contracting approach;
- There are comprehensive and long standing arrangements for the performance monitoring of the BCF; there is scope for further detail within performance reports in respect of outcomes and impact of schemes across the pooled fund;
- There is a greater transparency and understanding of the Council and CCG financial positions; any further expansion of the pool would require a more sophisticated risk share arrangement to be developed and agreed though.

Further joint audit work is planned in 2019/20, the outcomes of which will be reported to Members of this Committee in due course.

### 3.2.c Merseyside Pension Fund (MPF)

MPF has been exploring options to increase the proportion of its assets managed internally, consistent with its long-term investment philosophy and with due regard to risk. The Fund has been evaluating the potential to extend the use of systematic investing within its equity mandates through an in-house managed multifactor global equity portfolio. The initial commitment to the portfolio will be approximately £200M. An audit has been conducted as part of the Internal Audit Plan for 2018/19 at the request of the Director of MPF to ensure the risks associated with the proposed investment system and processes have been appropriately addressed.

The review concluded that the development process for the Internal Factor Portfolio has been robust and the proposed control environment for the operation of the Portfolio is considered effective. The audit did result in 2 recommendations agreed with management for enhancing the implementation process and control environment for the investment portfolio.

A follow-up review will be undertaken by Internal Audit later this year to assess the progress made with implementing the recommendations and their effectiveness.

### 3.2.d Regeneration Projects

Internal Audit are currently providing input to a number of key strategic initiatives on an ongoing basis supporting these initiatives by providing advice and guidance on a range of governance related issues and ensuring that effective control environments are in operation including clear accountability. Current projects include:

- Wirral Waters
- New Ferry Fund Workshop
- Markets

Outcomes from this work will continue to be provided to this Committee.

### 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 The one item currently identified as outstanding is currently BRAG rated as 'amber' although follow up work is currently being undertaken, the outcome of which will be reported to this Committee in due course.

### 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.  | 80            | 79     |
| 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<br>(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 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;
- Development of streamlined, more effective planning and management system for 2019/20;
- Ongoing improvements to the Internal Audit Communications strategy incorporating more effective utilisation of Intranet;
- Development of Traded Services offer to Academy Schools for Internal Audit services;
- Improvements to Maintained 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**

Appendix 1: Audit Recommendations Status Report

## **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. |