



**Audit and Risk Management Committee**  
**Monday, 22 July 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> April to 30 June 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> April to 30<sup>th</sup> June 2019.

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

- 3.2.a Internal Audit in conjunction with Children's Services have developed a programme of work for performing monthly verification assessments on the Troubled Families claims to ensure the accuracy and validity of these. The increased frequency of these claims by the department arise as a direct result of the Ofsted inspection. The outcome and findings from this work will be included on the bi-monthly reporting template and reported to both Chief Officers and Members.
- 3.2.b A recent audit report on Petty Cash holdings within Children's Services department recommended an increase in the utilisation of P cards to enable a commensurate reduction in physical cash holdings. The implementation of this action is designed to strengthen the robustness of the system in operation as well as significantly improving the effectiveness of the controls in operation over this facility. Required actions have been agreed with senior

management and an agreed implementation timescale identified, Internal Audit will continue to input to this development and will be undertaking follow up work later in the year to evaluate progress made and the effectiveness of the revised arrangements. The outcome from this work will be reported to officers and Members upon completion.

3.2.c Internal Audit has continued to liaise with the Councils development partner regarding the control and governance environment for the Wirral Growth Company, and a detailed programme of audit work prepared for implementation during 2019/20 and 2020/21. This is designed to review and test the effectiveness of key control systems in operation over governance, financial management and contracting procedures and management systems. The outcomes from this work will be included in update reports for officers and Members of this Committee to provide necessary assurances on this key initiative for the Council.

3.2.d Internal Audit Work has been undertaken during the period to evaluate the effectiveness of controls in operation over a number of key strategic risks to the Council that includes the following:

- Cyber Security Awareness
- Business Continuity Planning – Crisis Communications
- Windows10 - Project Roll Out

Actions to improve control arrangements in operation have been agreed with management that includes the production of a Cyber Security Policy and updating and testing of Business Continuity Plans for key areas and it is pleasing to note that immediate actions were taken in response to the audit recommendations. Further follow up work is scheduled for later in the year and the Committee will be appraised of the outcome of this work upon completion.

### **3.3 Outstanding Audit Recommendations**

3.3.a The 'tracker' table that identifies information relating to those audits where recommended actions included in audit reports have not been fully implemented within agreed timescales and yet still present a serious risk has not been attached for this report as no actions are currently 'outstanding' for the period.

3.3.b Many client actions are currently in progress however and Internal Audit will continue to monitor this and escalate any items to this Committee for information/action if agreed deadlines are not achieved.

### **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.	90	10
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	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:

- Ongoing development of risk management function and corporate risk register;
- 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;

- Development of Traded Services offer to Academy Schools for Internal Audit services;
- Improvements to Maintained Schools audit provision through development of risk based work programme;
- Ongoing development of client feedback through utilisation of survey monkey.

#### **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 2019/20

**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.