

**Chief Internal Auditor's
Annual Report and Opinion on the System of Internal Control
2018/19**

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June 2019

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Appendix A: Scope, Responsibilities and Assurance

1 Executive Summary

1.1 Introduction

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Chief Internal Auditor, in accordance with the PSIAS, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes (i.e. the organisation's system of internal control). This is achieved through a risk based plan of work, agreed with management and approved by the Audit and Risk Management Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described in this report.

1.2 My Overall Opinion is that:

On the basis of our programme of work for the year, I can provide good assurance overall that there is a generally sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently.

However, some weaknesses in the design and inconsistent application of controls may put the achievement of some objectives at risk. The key governance, risk and internal control issues of which the Chief Internal Auditor was made aware during the year and that impact the overall opinion are included within sections 3 and 4 of this report.

1.3 **Basis of the Opinion**

My opinion has been based on:

- Our assessment of the governance arrangements;
- Our assessment of the risk management arrangements and the framework of assurance; and
- The outcomes of our risk-based assignments.

1.3.1 **Corporate Governance**

An assessment of the Council's Code of Corporate Governance, jointly undertaken by Internal Audit and Legal, against the CIPFA/SOLACE Good Governance Framework (2016 edition), was completed during 2018/19. Overall design of controls was seen to be satisfactory and compliant with the requirements of the framework. As part of the assessment the Code was reviewed and refreshed. The revised Code of Corporate Governance and associated governance framework were presented to the Audit and Risk Management Committee in November 2018 for endorsement and approved at the Council meeting on 10 December 2018.

Internal Audit's support role for the Corporate Governance Group has included undertaking a joint review with Legal to prepare the Council's Annual Governance Statement (AGS), including the associated review of the effectiveness of the Council's governance framework. This review has confirmed the Council has a robust corporate governance framework in place.

The 2018/19 Annual Governance Statement has identified five issues that meet a broader definition of a significant governance issue as outlined in the AGS. The five issues are:

- Ofsted Improvement Plan;
- Significant financial challenges faced by the Council;
- The ambitious plans for regeneration and development to be delivered through the Wirral Growth Company;

- The Secretary of State's communications with the Council in respect of the action plan for the delivery of the Local Plan and the Council meeting statutory timescales for planning decisions;
- The Council's full review of its systems and processes for the inspection and maintenance of trees on its land and highways.

Plans are currently in place to actively address these during 2019/20, with key planned actions set out in the AGS.

Increased risks and threats to the organisation in the following areas require further work to be undertaken to strengthen and improve the control environment during 2019/20 and actions have been agreed with management to facilitate this (see Sect 3.3.3 on page 11):

- Cyber Security;
- Business Continuity.
- Information Assurance & Data Security;

1.3.2 Risk Management Arrangements

During 2018/19 the Council has refreshed its corporate risk management arrangements. This has served to strengthen the risk management arrangements in place, with improvements and additional initiatives during the year including:

- Establishing a Task and Finish group, whose role was to identify and oversee the implementation of improvements,
- Establishing a network of officers across the organisation charged with supporting the embedding of the Council's revised risk management arrangements,
- Reviewing and refreshing the Council's corporate risk register, including significant contributions from ARMC Members through member workshops,
- Good progress with embedding effective risk management arrangements across the Council including regular reviews of risk registers,

- Developing business / service plans across the Council with close links to the risk context for services,
- Training in risk management principles and good practice for the Strategic Leadership Team (SLT), departmental representatives and Members.

It is recognised that there is scope to further enhance the formal and routine use of risk management to inform strategic planning and manage services and delivery, with arrangements currently being finalised to ensure risk management information is routinely included in performance dashboards reported to Departmental Management Teams (DMT) and SLT. There is also work planned for later in 2019/20 to define the Council's current appetite and capacity for key risks.

1.3.3 **Framework of Assurance**

The Corporate Governance Group now chaired and supported by the Director for Governance and Assurance , a member of the Strategic Leadership Team, met regularly during 2018/19 to demonstrate how assurance is provided to the Chief Executives Strategic Leadership Team and the Audit and Risk Management Committee. Regular updates were provided to this group during the year on all of these key assurance components and action plans covering key areas for development and improvement monitored.

1.3.4 **Risk Based Assignments**

Arising from the agreed plan of work a total of 95 individual assignments including reports, actions plans, briefing notes and memos have been issued. The work undertaken contributes to my overall opinion on the control environment.

Opinions provided in audit reports produced during 2018/19 are similar to the previous year when making a direct comparison, with slight increases in the number of audits identifying 'Major' and 'Moderate' risk opinions, again possibly reflecting the current challenging nature of the public sector landscape. It should be noted however that the vast majority of the opinions provided do still remain within the 'Minor' and 'Negligible' risk categories, and the underlying message certainly suggests that there remains an awareness and understanding amongst officers and management of the need for robust systems of control and governance across the organisation.

Actions have been taken by management during 2018/19 to address control issues included in audit reports including those identified as presenting a Moderate or Major risk opinion and reported to ARMC during the year (see Section 4.2.3 and 4.2.4 on pages 26-30).

1.3.5 Key Control Developments in year that support the Opinion

There have been a number of significant improvements to the organisation's governance and control environment during the year in the following areas that have reduced the Council's exposure to controllable risk:

- Implementation of new SLT model with greater commercial acumen, leadership and governance;
- Code of Corporate Governance assessment/development;
- Fundamental Review of Financial Regulations;
- Development and implementation of Medium-Term Financial Strategy;
- Ongoing Risk Management improvements;
- Enhanced Contract Procedure Rules for identifying and documenting breaches;
- Implementation of formal constituted Project Boards and Groups;
- Introduction of a Council-wide approach to service and business planning;
- Improved governance structure for scrutiny, corporate oversight and corporate decision-making;
- Improved levels of Member engagement;
- Establishment of Joint Strategic Commissioning Board as a formal committee with robust governance arrangements for commissioning of healthcare.

2. Introduction

UK Public Sector Internal Audit Standards (PSIAS) 2013

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Chief Internal Auditor, in accordance with the PSIAS, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes (i.e. the organisation's system of internal control).

The CIPFA Statement on the role of the Head of Internal Audit (Chief Internal Auditor) in Local Government notes that the Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

An external assessment was undertaken of the Internal Audit Service during 2018/19 by the North West Chief Audit Executives Peer Review Group evaluating all key elements of the Service against the requirements Public Sector Internal Audit Standards and a comprehensive report produced concluding that the Service was **fully compliant**, the highest ranking in all areas.

3. Assurance

3.1 Roles and Responsibilities

The Council is accountable collectively for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Council setting out:

- How the responsibilities of the Council are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of the governance arrangements as evidenced by a description of the risk management and review processes; and
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The Council's framework of assurance should bring together all of the evidence required to support the Annual Governance Statement.

The role of the Chief Internal Auditor (CIA), in accordance with the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Code, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes i.e. the organisation's system of internal control. This is achieved through a risk based plan of work, agreed with management and approved by the Audit and Risk Management Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit have reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal

control. My opinion is one component that the Council takes into account in compiling its Annual Governance Statement. In particular, apart from the overall opinion, where 'Major' or 'Moderate' organisational risk opinions have been issued against individual audits, then the Council should assess whether or not the sources of those opinions and subsequent actions taken to address issues necessitate the need for a disclosure of a significant issue.

3.2 Chief Internal Auditors Opinion

My overall opinion is that:

On the basis of our programme of work for the year, I can provide good assurance overall that there is a generally sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently. However, some weaknesses in the design and inconsistent application of controls may put the achievement of some objectives at risk. The key governance, risk and internal control issues of which the Chief Internal Auditor was made aware during the year and that impact the overall opinion are included below.

3.3 Basis of the Opinion

The basis for forming my opinion is as follows:

- An assessment of the Code of Corporate Governance and its operation including underpinning processes;
- An assessment of the risk management arrangements and the framework of assurance; and
- An assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit risk based plan that have been reported throughout the year. This assessment has taken account of the

relative materiality of these areas and management's progress in respect of addressing control weaknesses. A number of reports have identified major or moderate organisational risks opinions during the year however all of these reports have recommended actions which when implemented will reduce the level of risk to the organisation. Internal Audit perform work to gain assurance that the recommendations have been implemented and report the findings to the Strategic Leadership Team and Audit and Risk Management Committee Members bi-monthly; and progress to date in year is good.

Corporate Governance

3.3.1 The Code of Corporate Governance and Corporate Governance Group

An assessment of the Council's Code of Corporate Governance against the CIPFA/SOLACE Good Governance Framework (2016 edition), jointly undertaken by Internal Audit and Legal, was completed during 2018/19. Overall design of controls was seen to be satisfactory and compliant with the requirements of the framework. As part of the assessment the Code was reviewed and refreshed. The revised Code of Corporate Governance and associated governance framework were presented to the Audit and Risk Management Committee in November 2018 for endorsement and approved at the Council meeting on 10 December 2018.

Internal Audit attends and actively supports the bi-monthly meetings of the Corporate Governance Group (CGG). Internal Audit's support role has included undertaking a joint review with Legal to prepare the Council's Annual Governance Statement (AGS), including the associated review of the effectiveness of the Council's governance framework. This review has confirmed that the Council has a robust corporate governance framework in place. Support for the CGG has also included providing updates on audit investigations and reviews.

Progress has been made during the year to address the Significant Governance Issues (SGI) highlighted in the AGS 2017/18, as outlined in the following section. The 2018/19 AGS has identified five issues that meet a broader definition of a SGI, as outlined in the AGS. The five issues are:

- Ofsted Improvement Plan;

- Significant financial challenges faced by the Council;
- The ambitious plans for regeneration and development to be delivered through the Wirral Growth Company;
- The Secretary of State's communications with the Council in respect of the action plan for the delivery of the Local Plan and the Council meeting statutory timescales for planning decisions;
- The Council's full review of its systems and processes for the inspection and maintenance of trees on its land and highways.

These issues will be actively addressed in 2019/20, with key planned actions set out in the AGS.

3.3.2. Significant Governance Issues

Children's Services

The 2017/18 AGS included one Significant Governance Issue in respect of the action required to address the issues raised in the Improvement Notice issued by the Secretary of State for Education (30th September 2016).

There is ongoing action to address concerns raised in the Ofsted inspection in July 2016 which provided an overall opinion that arrangements in place for Children's Services in Wirral were inadequate. The Wirral Improvement Board has continued to have oversight of the Improvement Plan for Children's Services. Additional oversight for the improvement plan is provided by the Council's Children and Families Overview and Scrutiny Committee. Activity to address the issues raised in the Ofsted Improvement Notice has been centred around a number of key work-streams. A summary of some of the activity carried out within each work-stream is provided in the AGS. Quarterly monitoring visits have continued to assess progress with findings reported and summarised in the AGS. In addition to this, service and thematic audits, performance management information and DfE reports all evidence progress in improvements in specific areas as outlined in the 2016 Inspection report.

Internal Audit have work scheduled in this area of operations for early in 2019/20 to evaluate the effectiveness of controls implemented during this process and to undertake targeted testing across the department. This work was re-scheduled from

2018/19 following discussion with departmental senior management owing to significant work being undertaken within the department to address identified issues. For the purpose of this report therefore reliance is placed upon ongoing oversight of actions by the Wirral Improvement Board and the assurances provided by Ofsted Inspectors during regular scheduled visits to evaluate improvement progress by the Council. It is however important that Internal Audit are provided with opportunity to complete the necessary work in accordance with agreed time schedules.

3.3.3 Overall Governance Arrangements

ICT Governance

Internal Audit have undertaken a full programme of risk-based work in this area during 2018/19 identifying and evaluating key system controls for effectiveness and efficiency, some of the work undertaken includes the following:

Data Centre Physical Security;

Enterprise Resource Planning;

Payment Card Industry Data Security Standard;

Intune Software Deployment;

Cyber Security Awareness;

Email System Security Settings;

Software Licencing;

Business Continuity Crisis Communication;

Window10 Project;

Information Storage.

One of the key risks to the Authority is the risk of a cyber-attack and this is clearly captured in both the Departmental and Corporate Risk Registers where mitigating controls and proposed future actions are identified. During 2018/19 Internal Audit reviewed the existing controls in place to mitigate the risks in this area and evaluated current user awareness. Findings from the review indicated that whilst the Authority has considered the risk of cyber-attack and taken steps to manage risks in this area there is still a need for more work to be undertaken, including the identification of a senior officer/councillor with live ongoing responsibility for this across the organisation, raising corporate awareness and promoting good practice as in our view this currently remains inconsistent and is not helped by the lack of mandatory training currently available.

During 2018/19 the Local Government Association (LGA) undertook a cyber security stocktake and following this awarded a grant to the Council to improve user awareness across key areas of the Council's operations, it is acknowledged that this will undoubtedly improve control and risk management in targeted areas however this is not the comprehensive corporate approach required long term by the Council.

The roll out of Windows 10 has improved the control of assets across the organisation with the introduction of a comprehensive asset record that is centrally managed by Digital. In addition, an ICT Strategic Partner was appointed during the year to provide all software and hardware renewal in a more structured manner.

Internal Audit remains an active member of the Technical Design Authority and continues to meet with the newly appointed Head of ICT & Digital on a monthly basis. It is encouraging that an IT Strategy is currently being developed and is scheduled for imminent completion, something that in our view is important and should be concluded without delay.

Actions undertaken by the Council during 2018/19 have ensured that operational arrangements in this area remain appropriate including Business Continuity Plans being in place for all identified critical services that are stored electronically on the secure Cabinet Office hosted website. Further work is however required in this area due to revised structures and operating models being introduced that will require more concerted actions being taken to update and comprehensively test plans in place. Steps are currently being taken to appoint a Risk and Continuity Manager for the Council with direct responsibility for further improving the current arrangements during 2019/20 to ensure continued compliance with the Civil Contingencies Act 2004.

Information Governance

Information Governance still remains a developing area however, a permanent Senior Information Risk Owner has been appointed along with a Data Protection Officer. Internal Audit remains an active participant on the Information Governance Board (IGB) where information risks are raised and discussed on a monthly basis. In addition, Internal Audit meets monthly with the Information Governance and Security Officer to discuss progress on implementation of required actions to address issues identified as well as any emerging risks. An information Risk Register has not yet been compiled, although the IGB has included this as an action to complete in the first quarter of 2019/20 and we will be monitoring this closely. Internal Audit

have also recently agreed actions with senior management regarding the storage of sensitive physical data across the organisation to ensure ongoing compliance with the General Data Protection Regulation and the Council's Corporate Retention Policy.

A mandatory requirement by the NHS requires the completion of a self-assessment to provide assurance that the Authority is practicing good data security and that personal information is being handled correctly. A few areas remain outstanding; however we are assured that these will be completed during 2019/20. It is essential that these actions are completed without delay and Internal Audit will be conducting a review of the self-assessment responses during 2019/20 to provide independent assurance.

We also reviewed a sample of schools to ensure that they are working towards GDPR compliance and it was pleasing to note that all were able to provide sufficient evidence of progress in this area, further work of this nature will be conducted by Internal Audit during 2019/20.

Risk Management Arrangements/Assurance

Corporate risk management arrangements are well established, including the corporate Risk Management Policy and Corporate Risk Register. However, in recognition of the risks and challenges facing the Council and feedback received from stakeholders including ARMC there has been a refresh of the Council's corporate risk management arrangements during 2018/19.

The Internal Audit input during 2018/19 focussed on a consultancy assignment aimed at providing best practice guidance and support for officers involved with the implementation of the new arrangements. It has also provided assurance that recommendations made in our previous review have been implemented.

The refresh of the Council's corporate risk management arrangements has undoubtedly served to strengthen risk management in operation, with improvements and additional initiatives during the year including:

- Establishing a Task and Finish group, whose role was to identify and oversee the implementation of improvements;
- Establishing a network of officers across the organisation charged with supporting the embedding of the Council's revised risk management arrangements;
- Review and refresh of the Council's corporate risk register, including direct input from ARMC Members through Member workshops;
- Good progress with embedding effective risk management arrangements at departmental, programme / project level, including the regular review of risk registers. There has been some slippage from the timetable originally envisaged as a result primarily of the impact of changes to the organisational structure at Director level and the need to update registers to take account of the business plan review process. In general, however, arrangements are being progressed in all areas and a sound framework for risk management at the Directorate level is being established and becoming embedded;
- Developing business / service plans across the Council with close links to the risk context for services;
- Training in risk management principles and good practice for SLT, departmental representatives and Members.

It is recognised that there is scope to further enhance the formal and routine use of risk management to inform strategic planning and manage services and delivery, with arrangements currently being finalised to ensure risk management information is routinely included in performance dashboards reported to DMTs and SLT. There is also work planned for later in 2019/20 to define the Council's current appetite and capacity for key risks.

Internal Audit will continue to monitor and support the development of the refreshed risk management arrangements during 2019/20, with work planned including an assessment of risks and mitigating controls in respect of the risks included in the Council's corporate risk register.

Audit Assignments

3.3.4 Risk-Based Assignments

This element of the opinion is based on an assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit plan that have been reported throughout the year. In March 2018 the Annual Internal Audit Plan was agreed by the Audit and Risk Management Committee. During the year regular updates including any necessary changes to the plan were reported to, and agreed by, the Audit and Risk Management Committee. Arising from the agreed plan of work a total of 95 reports, action plans, memos and briefing notes have been issued. All of the work undertaken contributes to my overall opinion on the control environment; all of the audit reports issued contained a formal organisational risk opinion and have informed the opinion in this report. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. The Outcomes and Effectiveness sections of this report give fuller details of:

- Performance against plan;
- Unplanned work undertaken;
- Key points arising where our organisational risk opinion was 'major'; and
- Follow up work undertaken.

3.3.5 Fundamental Financial Systems

This work focusses on the control arrangements within the council's core financial systems to assess whether they are adequate to allow the council to conduct its business appropriately. The work provides the Section 151 Officer with a key element of assurance that the council has effective arrangements for the proper administration of its financial affairs.

We have continued to develop and utilise a suite of Computer Assisted Audit Techniques (CAATs) that enable us to test whole databases wherever possible as well as samples of individual transactions. It is used to support the work of External Audit in their review of the Statement of Accounts and significantly informs the Chief Internal Auditor's opinion.

The work completed within each core financial system was focused on emerging risks within the area of operation. i.e. new legislation / work processes, staffing restructures and reorganisations. A summary of the opinions from these audits completed in the year are identified below:

Audit	Organisation Risk
Accounts Payable – NFI	Moderate
Accounts Receivable – Debt Recovery	Negligible
Benefits – Discretionary Housing Payments	Minor
Benefits – Risk Based Verification	Negligible
Business Management – Insurance	Moderate
Business Support – Pre-Paid Cards	Negligible
Capital & Treasury Management	Moderate
Financial Accounting – International Auditing Standards	Negligible
Financial Management – Regulations Refresh	Minor

Income Processing	Negligible
Payroll – Advances of Pay	Minor
Revenues - Council Tax – Empty Properties	Minor
Revenues - Non-Domestic Rates – Empty Properties	Minor
Transactional Management – Client Finance Support Unit	Major
Transactional Management – Personal Finance Unit	Moderate

Only one of the assignments resulted in a ‘Major’ organisational audit opinion being provided and this concerned work undertaken within the Client Finance Support Unit where following the transfer of the Unit to Customer Services a number of significant risks were identified by the Business Unit Management Team in respect to Court of Protection and Direct Payments. A working group was formed by the Director of Finance and Investment during the year and is currently actively addressing identified issues in a timely manner. Internal Audit are providing advice and support to this group and will continue to do so until an effective control environment has been implemented and tested.

All the recommendations made during the year to improve the control environment for the fundamental financial systems were agreed with the relevant system managers and have been / or are currently in the process of being implemented. From the work completed we are able to provide the Section 151 Officer with a key element of assurance that the council has effective arrangements for the proper administration of its financial affairs.

3.3.8 Merseyside Pension Fund

Given the complex nature of the Local Government Pension Scheme (LGPS) operations and the materiality of the finances involved, its inherent risk level is significant. The delivery of the internal audit function to the Merseyside Pension Fund (MPF) by the Wirral Internal Audit Service has been developed and mutually agreed via a service level agreement (SLA). The purpose of the SLA is to formalise the audit relationship; clarify responsibilities and obligations on both sides; and

embed positive practices. The SLA has now been operational for several years and has enhanced the effectiveness of the Internal Audit Service to MPF, who continue to provide very positive feedback on the assurance work undertaken.

In line with the Society of County Treasurers report '*Good practice guidance: gaining assurance over the governance and administration of pension funds, and pension fund investment management – a guide for the internal auditor*', the Internal Audit Service aim to review all expected controls in relation to; governance and strategy; pensions administration; and investments on a cyclical basis over a three year period. This coverage allows the Internal Audit Service to provide an opinion on the adequacy and effectiveness of the organisation's control environment. The Internal Audit Plan is set through discussions with the MPF Management Team to deliver pension and investment audits taking into account the key risks facing the Pension Fund.

In respect to the programme of work for 2018/19, the risks were assessed, and a decision made to increase the time allocation from 100 to 150 audit days moving forward on an annual basis which was agreed by the MPF Operating Group. This is to ensure that there is sufficient and wide-ranging coverage in order for Internal Audit to provide a more robust assessment of the MPF control environment. However, it is acknowledged by Internal Audit and the MPF Management Team that the decision to increase the number of audit days is not because there are any areas of significant concern, but rather to recognise the challenges of the LGPS and demonstrate further good governance at the Fund.

The approved programme of audits for 2018/19 included some assurance work on systems under development at the Fund which was undertaken at the request of the Fund Operating Group (FOG). A summary of the opinions from the programme of completed audits is provided below:

Audit	Organisation Risk
Immediate Payments	Negligible
Investments - Internal Factor Portfolio	Minor
Contributions Receivable	Minor

Performance Standards	Minor
Annual Allowances	Minor
Benefits Payable	Minor

From the work conducted we are able to provide assurances that, both the control environment for the Fund and the level of compliance is effective overall. The MPF Management Team continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales. An independent annual report of audit findings is produced and presented to the Local Pensions Board in order to demonstrate transparency and further enhance good governance at the Fund.

3.3.9 Legislative Compliance

Under the Local Planning Act 2004 Councils are required to have a clear local plan for development in place that identifies those areas that are protected and those that are earmarked for development for commercial and housing use. Wirral, whilst having undertaken work in this area over previous years currently does not have a fully finalised and approved local plan in place. I am aware however that actions are currently in progress and that this particular issue is included on the Corporate Risk Register and the Annual Governance Statement and therefore progress is being closely monitored by Chief Officers and Members alike through regular update reports. It is vital that progress is made with some urgency if the Council is to avoid the potentially significant risks of not achieving its stated objectives in this area as well as possible Government intervention by the Secretary of State. Internal Audit will continue to monitor this issue to ensure that a resolution is reached within agreed timescales.

3.3.10 Key Control Developments In Year

- The Corporate Governance Group, the Strategic Leadership Team and the Audit and Risk Management Committee continue to regularly and routinely consider reports on risk, in accordance with the Risk Management Policy.

- Improved arrangements for risk management included establishing a Task and Finish group, whose role was to identify and oversee the implementation of improvements, and a network of officers across the organisation charged with supporting the embedding of the Council's revised risk management arrangements. Initiatives included training in risk management principles and good practice for SLT, departmental leads and members. Outcomes included an updated corporate risk register and good progress with embedding effective risk management arrangements at departmental, PMO and at programme / project level.
- Enhanced engagement with all stakeholders.
- All Internal Audit reports issued with a major or moderate organisational risk opinion in 2018/19 have had follow up work undertaken, in line with agreed timescales, and significant improvements have generally been made in these areas, with any exceptions reported to ARMC.
- A comprehensive Performance Management Framework continues to operate, supported by robust systems and processes (although scope exists for additional steps to be taken to further enhance these processes to assure the robustness of data quality).
- The establishment of formal boards, properly constituted and comprising officers from multiple disciplines to oversee transformation and commissioning projects eg: highways maintenance and travel assistance is a significant improvement.
- Reviewed and Updated Code of Corporate Governance and Contract Procedure Rules.
- The establishment of an Investment and Change Board to oversee co-ordination and appropriate governance for all of the Council's regeneration, investment and major change programmes.
- The completion of a financial resilience review in light of recent national commentary on the sustainability of council financing and reserves.
- Improvements in cash and general security within Leisure Centres, with increased administrative support regarding cash reconciliations and banking's, physical security enhancements including CCTV, and the utilisation of the regular cash collection service.
- Introduction of a Council-wide approach to service and business planning.
- Improved governance structure for scrutiny, corporate oversight and corporate decision-making. Improvements have included the introduction of an Investment & Change Board, Call-Over Board, Corporate Savings Governance Board and Commercial Board.

- Improved levels of Member engagement (including pre-Committee briefings and pre-Cabinet cross party dialogue), examples of member-led processes (including MTFs), and examples of cross-party scrutiny (including during the Wirral Growth Company project).
- The establishment of the Joint Strategic Commissioning Board as a formal committee of the Council, with formalised governance arrangements for joint commissioning with Health.
- A new SLT model, bringing improved levels of commercial acumen, communication, teamwork and leadership.
- The Council is strengthening the governance around managing change. Improvements have included ensuring all key projects are now managed within the Programme Management Office (PMO) framework; with all projects to report to one of five programme boards which each report to the Investment & Change Board, in its overall 'gatekeeper' role. The Council is also undertaking a programme of service reviews, which are helping to bring together all aspects of change in the Council.

4. Audit Outcomes 2018/19

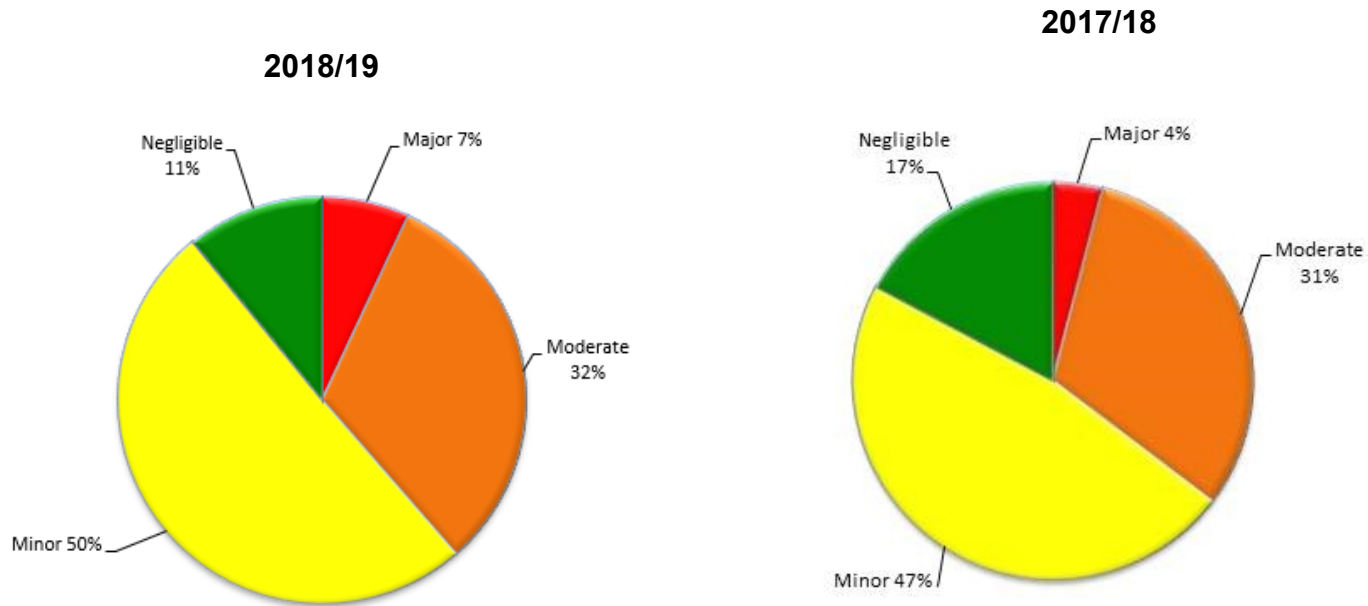
4.1 Assurances Issued During 2018/19

My opinion has taken account of the relative materiality of areas reviewed and management's progress in respect of addressing control weaknesses. Whilst all audit outcomes have contributed to the overall opinion, the following reviews and their outcomes are considered particularly relevant in determining my overall opinion.

4.2 Audit Opinions Provided

The charts below illustrate the organisational risk opinions provided in audit reports produced during 2018/19 and the previous year 2017/18. These opinions identify the risk to the organisation of the audit findings taking account of the impact and likelihood of occurrence with 'Major' being the most significant and 'Negligible' presenting the least risk opinion to the organisation.

It is notable that opinions provided in audit reports produced during 2018/19 are very similar to the previous year when making a direct comparison, with slight increases in in the number of audits identifying 'Major' and 'Moderate' risk opinions possibly reflecting the current challenging nature of the public sector landscape. The modest nature of these increases does not at this moment in time present any cause for concern and is counteracted to some degree by the increase in those audits identifying 'Negligible' opinions and reflecting strong control environments. The vast majority of the opinions provided remain within the 'Minor' and 'Negligible' risk categories, and the underlying message certainly suggests that there remains an awareness and understanding amongst officers and management of the need for robust systems of control and governance across the organisation.



These opinions are explained in more detail below:

4.2.1 Negligible Organisational Risk Opinion

A Negligible organisational risk indicates that there were no weaknesses identified during the audit review and that the Council is not exposed to any risks directly associated with the findings. This opinion was provided for the following audits:

Accounts Receivable - Debt Recovery
Income Processing
International Auditing Standards
MPF Immediate Payments
Prepaid Cards
Social Care Integration
The Observatory School

4.2.2 Minor Organisational Risk Opinion

A Minor organisational risk indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to minor non fundamental or material risk. This opinion was provided for the following audits:

Annual Allowances
Anti Bribery Policy and Procedure
Anti Fraud and Corruption Policy and Procedure
Bebington High Sports College
Christ the King Catholic Primary School
Clare Mount Specialist Sports College
Contributions Receivable
Council Tax – Empty Properties
Counter Fraud and Corruption Strategy

Discretionary Housing Payments
Fender Primary School
Fraud Response Plan
Ganneys Meadow Nursery School & Family Centre
Grove Street Primary School
Heswall Primary
Heygarth Primary School
Hillside Primary School
Hoylake Holy Trinity CE Primary
Investments - Internal Factor Portfolio
Kingsway Primary
Mayor's Charity Account
Mendell Primary School
Mersey Region Fraud Group
Millfields Primary School
MPF Benefits Payable
MPF Performance Standards
NDR Empty Properties
Payroll - Advances of Pay
Pensby Primary School

Portland Primary School
Ridgeway High School
Risk Based Verification Framework
Social Media
St Bridget's CE Primary School
St Michael & All Angels RC Primary School
St Peter & Paul Catholic Primary School
Verification of the Validity of Supplier VAT Registration Numbers

4.2.3 Moderate Organisational Risk Opinion

A Moderate organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a moderate risk of a fundamental or material nature. This opinion suggests that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the achievement of systems and/or corporate objectives. This opinion was provided for the following audits:

Accounts Payable pre NFI data matches review
Car Mileage
Client Finance Support Team
Constitution Review
Early Years Funding
Email System Security Settings

Free-Standing Payments
Friends of Royden Park
Insurance Management
Integrated Commissioning
Landican Cemetery and Crematorium
Local Plan
Mosslands School
Organisational Compliance – Performance Review Culture
Out of Borough Placements
Overseas/Air Travel
Payments to Forge House Associates Ltd
Personal Finance Unit
Risk Management
Software Licencing
The Chest
Treasury and Capital Management
Wirral Evolutions - Risk Management

Good progress in line with agreed timescales has been made by management in year to address all of the actions identified within these audit reports and regular updates on this has been provided to the Audit and Risk Management Committee at

all meetings during the year. On occasion this has resulted in officers being invited to appear at the Committee to provide progress updates on actions being taken to improve arrangements and strengthen controls.

4.2.4 Major Organisational Risk Opinion

A Major organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a major risk of a fundamental or material nature. This opinion suggests that there are some potentially serious weaknesses in the design and/or operation of the control environment that may have a significant impact on the achievement of systems and/or corporate objectives if not addressed.

The schedule below identifies those reports produced during the year that contained ‘Major’ organisational risk opinions. In all cases management action to address reported weaknesses was agreed and appropriate actions either taken or started during the year as indicated.

Audit	Outcome
Appointment of Agency Workers	<p>The audit review identified a number of areas where improvements were required to strengthen existing controls and improve arrangements over many elements of this process including contract management, monitoring and analysis. Actions were agreed with senior management and a detailed action plan including identification of responsible officers’ and appropriate timescales prepared for implementation. A follow audit is scheduled for August 2019 to evaluate progress by officers to implement the action plan and test the effectiveness of the revised arrangements and the outcome of this will be reported to officers and Members.</p> <p>A report on this matter was presented to a special meeting of the Audit and Risk Management Committee in April 2019 for discussion, debate and action.</p>
	The audit review was commissioned by the Director of Finance and Investment

<p>Enterprise Resource Planning</p>	<p>and designed to provide an independent opinion of the overall effectiveness and efficiency of the Council’s existing ERP system. The opinion provided in the report was that the current system is outdated and prevents the Authority providing some services that would reasonably be expected in a digital age. In addition, some of the system functionalities do not currently comply fully with the new General Data Protection Regulation. A project has subsequently been set up by the Change and Organisational Design section who are currently undergoing soft market testing and it is envisaged that a new system will be procured by March 2020. Internal will continue to input to this development during 2019/20.</p>
<p>Financial Resilience</p>	<p>This audit which is currently being concluded spans the 2018 and 2019 Audit Plans and has identified that there are a range of financial resilience arrangements and actions operating across the Council, including the critically important process of getting the basic financial management right. Key improvements include the use of star chamber sessions to challenge portfolio holders on the saving options, completion of a financial resilience plan and the introduction of a risk rated savings tracker which is monitored and challenged monthly, with additional developments around internal financial management, income generation, developing the ability to plan for events in the future and management of reserves.</p> <p>A significant amount of savings for 2018/19 and some of the proposed saving options for 2019/20 are one-off savings which are not sustainable in the longer term. A number of the 2019/20 savings present a significant challenge for the Council; with risks relating to the level of income and savings the Council has planned to achieve in 2019/20 as a result of the operation of the Wirral Growth Company and significant financial pressures continuing within Children’s and Adults services.</p> <p>Our opinion is based on the significance of financial resilience within the</p>

	<p>Corporate Risk Register and the external auditor value for money assessment. The opinion is reflective of the significant challenge the Council faces to achieve the required sustainable long-term savings and not due to a poor control environment or weaknesses in the current corporate arrangements. The final report on this will conclude shortly and be reported to officers and members for action.</p>
<p>Leisure Services Cash and Security</p>	<p>A significant number of control weaknesses were identified in Cash and Security systems in operation at Leisure Services during an audit review. Actions to address weaknesses and improve control arrangements were agreed with senior management and these actions have subsequently been implemented resulting in improvements across a range of controls including the efficiency and effectiveness of cash reconciliations, physical security in buildings, and the prompt utilisation of the cash collection service. A follow up audit was conducted during 2018/19 that confirmed these control improvements.</p>
<p>PCIDSS (Payment Card Industry Data Security Standard)</p>	<p>The General Data Protection Regulation provides a legal requirement for the protection of personal information, including payment card details. The Internal Audit review identified that a project was underway to ensure compliance in one area of the Authority and that some existing payment card machines have been replaced with PCI DSS compliant ones but that some are still in need of attention. As a result of the review, the Director of Finance and Investment has overseen agreed actions in this area and has set up a corporate project to identify and ensure that all Council payment machines and systems are fully compliant with the legislation. Further audit work is scheduled for 2019/20 to evaluate progress in this area.</p>
<p>Client Finance Support Unit</p>	<p>Following the transfer of the Client Finance Support Unit to Customer Services a number of significant risks were identified by the Business Unit Management</p>

	Team in respect to Court of Protection and Direct Payments. A working group was immediately formed by the Director of Finance and Investment and is currently actively addressing identified issues in a timely manner. Internal Audit are providing ongoing support and advice to this group and will continue to do so until an effective control environment has been implemented and tested. Further targeted audit work is scheduled to review and test arrangements during 2019/20.
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4.3 Additional Work during 2018/19

Additional work by internal audit during the year has included involvement in investigation work, input to developing systems and a separate programme of work for Counter Fraud, including strategy development and raising awareness.

4.3.1 Counter Fraud

The Internal Audit Counter Fraud Team has continued to chair and co-ordinate the activities of the Mersey Region Fraud Group (MRFG), which consists of a number of neighbouring authorities and partner organisations. The group is still committed to developing a regional approach to counter fraud and much work has been undertaken during the year to facilitate this, including the production of generic policies and procedures and undertaking collaborative working in targeted areas, such as data matching and other counter fraud exercises.

To ensure that the Council continues to maintain a strong awareness of the threats posed by fraud and demonstrates a commitment to combatting this type of activity the Team has during the year updated the Council's Counter-Fraud and Corruption Strategy, which clearly identifies the Council's commitment to an effective Counter-Fraud and Corruption approach as part of its overall Corporate Governance arrangements. The Strategy outlines the principles that the Council is committed to in preventing and reporting fraud and corruption.

In addition, the team has reviewed, amended and promoted the following policy documents during the year, which form an important part of the Counter-Fraud and Corruption Strategy by setting the tone, culture and expectations of the Council, as part of the corporate framework:

Anti-Fraud and Corruption Policy;
Anti-Bribery Policy;

Fraud Response Plan;
Anti-Money Laundering Policy.

The team continues to maintain the fraud register which is used to collate details of all reported fraudulent activity across the Council, whether investigated by the Counter Fraud Team or by the relevant department. This facilitates the completion of the CIPFA Fraud and Corruption Tracker, which is coordinated by the Team on behalf of the Council. The information contained within the register has been used to identify potential weakness and areas that may be susceptible to increased attempts of fraud and as such where Counter Fraud resources need to be directed.

The Team coordinated its annual week-long Public Fraud Awareness Campaign in November 2018, in collaboration with the Fraud and Compliance Team, Insurance & Risk, Publicity and other neighbouring authorities. The aim of the exercise was to raise public awareness of fraud and encourage Wirral Residents/Businesses to help spot and report fraud - "*Spot it and Stop it*". The campaign involved posters and leaflets in Council run public buildings, advertisements in the local media and messages on the Council's Website, Facebook/Twitter pages.

The Counter Fraud Team also provide advice and guidance to departmental officers investigating suspected frauds and irregularities in cases where these are investigated within the department. The last year has seen an increase in the number of referrals from Departments as the profile of the team has continued to rise and become more widely known.

4.3.2 CIPFA Fraud and Corruption Tracker (CFaCT)

In June 2018 CIPFA's Counter Fraud Centre carried out an annual survey of fraud and corruption detected in local authorities in England. The survey includes questions commissioned by the Fighting Fraud Locally Board and the Home Office, to provide a picture of the amount of detected fraud, emerging risks and actions taken by local authorities across the country to combat fraud and corruption.

The CFaCT identified that across England procurement, adult social care and council tax single person discount are still perceived as being the three greatest fraud risk areas. The largest growing area is business rates fraud, with an estimated £10.4m lost in 2017/18 compared to £4.3m in 2016/17. This is followed by disabled parking concession (Blue Badge) which has increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18.

These areas have, as in previous years been incorporated into the annual Internal Audit planning process and audit work has been identified that will be undertaken during 2019/20.

4.3.3 National Fraud Initiative

The IA Counter Fraud Team facilitates and co-ordinates the Council's participation in the National Fraud Initiative which the Council is required by law to participate in.

Data sets were submitted in October 2018 for the 2018/19 National Fraud Initiative biennial data matching exercise and results of data matches were received at the end of January 2019. For this current NFI exercise £268,605.94 has been identified to date, of which £6,165.94 is/or is in the process of being recovered. NB: £262,440 represents what the Council has saved by removing individuals from the Housing Waiting List and therefore, is a saving rather than a recoverable amount.

4.3.4 Referrals

For the financial year 2018/19 Internal Audit received 80 reports and referrals via a number of sources. This represents an modest 6% increase from 2017/18 and is likely to be due to an increased awareness of fraud risks amongst employees and members of the public as a result of successful publicity campaigns run during the past two years. The type of issues covered a broad spectrum of the Council's activities including:

- Business Rates
- Disabled Parking (Blue Badges)
- Theft of Income

During the year Internal Audit completed a further follow up review of actions taken by the Council following a referral/investigation undertaken in March 2017 concerning a tragic incident involving a tree falling onto the highway. Findings from this work indicated that the Council has made progress towards improving systems including the introduction of a Parks and Countryside (P & C) Tree Safety Programme which has involved the inspection and maintenance of P & C trees based on a detailed risk assessment. The Council has also procured the services of The Environment Partnership to establish a Tree Risk Management and Maintenance Strategy (TRMS), which was adopted in March 2019 and actions are in hand to appoint a TRMS co-ordinator post to deliver the strategy. Further action is still required to ensure that the process is efficient and effective and addresses risk appropriately and Internal Audit will continue to monitor, evaluate and report upon activity in this area during 2019/20.

4.3.5 **Developing Systems**

During the year Internal Audit has had significant ongoing input to a number of systems being developed that includes the following, advising on the control environment and proportionate risk responses. More in depth work of this nature is scheduled for 2019/20 that includes audits in targeted areas to evaluate the effectiveness of the proposed control environment:

Wirral Growth Company;

Client Finances Support Group;

Information Governance;

Integrated Commissioning Hub.

Wirral waters Investment Fund;

Local Government Pension Scheme Annual Return;

Risk Management arrangements.

4.3.6 **Value for Money /Consultancy work**

Whilst value for money work is implicit within all audit work a limited number of specific exercises has been undertaken during the year as detailed below. Time has been included within the Audit Plan to develop this approach and increase our

focus in this area on proactive, value adding reviews to support the organisation in delivering increased budget savings and managing service redesign. Work in this area will undoubtedly increase and this has been reflected in the work plan.

- Housing Benefit
- ERP System
- Advantage Digital Portal

4.3.7 Schools Work

The objective of the schools' audits is to form an opinion on the effectiveness of the controls within schools to ensure the governing body and school's management exercise appropriate levels of governance over the delegated budget.

Schools' audits in 2018/19 primarily focussed on a questionnaire approach, in line with recent years. The questionnaire utilised was developed based on the '*Scheme for Financing Schools*' which is statutory guidance provided by the Department for Education for local authorities. The risk based self-assessment approach was developed to ensure there was an effective use of internal audit resources that ensured all schools were audited over a three-year cycle.

The audit questionnaire was designed to enable the assessment of controls currently in operation at schools. The questionnaire highlights a range of high-risk controls and systems, including those affected by changes in LA procedures, such as the introduction of SelfServe. Audit findings and feedback during the year suggest that the approach continued to be well received by Schools and has encouraged them to take greater ownership of their systems and with ongoing support and guidance from Internal Audit and the LMS Unit ensure that appropriate and effective systems of control are in operation. Audit resources have also been used to assist a major investigation, jointly conducted with HR, in a primary school.

Following completion of the audit cycle for all schools, a new audit programme has been developed. This programme mirrors closely and assesses compliance with the Schools Financial Value Standard (SFVS) assessment. The SFVS assessment is produced by the Education and Skills Funding Agency (ESFA), and completion of the assessment form is a

mandatory requirement for local authority (LA) maintained schools. The SFVS helps schools to manage their finances and to provide assurance to the LA that they have secure financial management in place. The audit is based on a two-day site visit to schools and will provide schools with a wider ranging audit review. The approach was piloted on two schools during 2018/19 and is being rolled-out from 2019/20. The timing of audits for individual schools is based on a risk assessment completed by the Service, in close liaison with the LMS team. The risk assessment takes into account a range of factors including implementation of recommendations from previous follow-up work. The overall approach to risk assessment helps target those schools which are most in need of independent review and advice in a timely fashion.

The Wirral Electronic School Communications Website (WESCOM) continues to be utilised by Internal Audit to convey best practice learning points in response to issues raised during individual audits for the collective benefit of all schools. Customer feedback in response to our audit approach and resulting recommendations remains extremely positive.

Attendance at schools' Headteachers and Bursars forums have continued to be a feature of our approach to these audits during 2018/19, involving engagement with representatives from schools and advising on risks, threats and the utilisation of effective controls to mitigate. This will continue during 2019/20 as feedback indicates that this is well received and adds significant value to schools' operations.

4.3.8 External Work

Edsential

No audit reviews were requested by the Edsential Board for completion in 2018/19. The service continues to liaise with Edsential regarding the provision of Internal Audit services and understand Edsential are currently developing a brief for potential Internal Audit work during 2019/20.

Wirral Evolutions

Internal Audit work was performed at Wirral Evolutions during the year that involved visits to a number of Centres to evaluate the effectiveness of governance, financial and risk management controls in operation. In addition, targeted work

was also completed over the effectiveness of risk management arrangements in operation across the organisation as well as ongoing input to the development of more robust policies and procedures for Gifts and Hospitality, Honoraria, Delegated Authority, Procurement Rules and Stock Management.

Outcomes and reports from work undertaken was presented to the Audit Committee for Evolutions and agreement reached regarding the implementation of agreed actions required to address control issues within appropriate timescales. No issues of significance remain outstanding from work undertaken during 2018/19.

Wirral Evolutions have notified Wirral Internal Audit Services that they intend to retain our services for the 2019/20 year and subsequently a programme of work has been agreed with the Board that includes audits of the governance framework, payments processes, and a sample of Centres not visited during 2018/19.

4.3.9 Other Work

The Internal Audit team's resources have been applied in several other respects:

- Support to the Audit and Risk Management Committee including training provision;
- Attendance at monthly meetings with the Chair of the Audit and Risk Management Committee;
- Support to and attendance at the Corporate Governance Group;
- Support to and attendance at the Information Governance Delivery Group;
- Attendance at regular meetings with the Section 151 Officer;
- Regular attendance at the Strategic Leadership Team;
- Attendance at Departmental Management Team meetings;
- Regular meetings with Directors
- Grant claims;

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- Provision of ad-hoc advice;
- Annual planning and reporting,
- Support to and attendance at the EU Exit (no deal) Co-ordinators Group;
- Troubled Families claims (monthly in 2019/20);
- Ad hoc contract evaluation advice; Review of PRAD 6 documents within Procurement workflow.

5 Effectiveness of Internal Audit

5.1 Internal Audit Standards

Internal Audit are required to adhere to the Public Sector Internal Audit Standards (PSIAS) which require all public sector internal audit providers to be fully compliant from 2018. Regular update reports on this have been presented to the Audit and Risk Management Committee advising Members of the evolving requirements and progress being made by the service to become compliant.

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The PSIAS require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Wirral Council adopted the peer challenge assessment approach developed by the North West Chief Audit Executive's Group. This approach is acknowledged and supported by the Chartered Institute of Public Finance Accountants (CIPFA), the Chartered Institute of Internal Auditors (CIIA) and External Audit colleagues as being a best practice method of satisfying the requirements of the Standards and ensuring that internal audit are providing a robust and effective service. The actual external assessment took place in March 2018 and provided Wirral Council Internal Audit Service with a '**full compliance**' assessment opinion, the highest rating across all required criteria.

Grant Thornton in its reporting continue to acknowledge that Internal Audit provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment to the Council.

5.2 Quality Assurance Improvement Programme

The Internal Audit Service operates a Quality Assurance Improvement Programme (QAIP) that is designed to provide all stakeholders with reasonable assurance that the service performs its work in accordance with the Internal Audit Charter and Strategy and is compliant with the Public Sector Internal Audit Standards and Internal Audit Code of Ethics. The QAIP is designed to cover all elements of internal audit activity in accordance with PSIAS Standard 1300 ensuring compliance,

adding value and helping improve organisational operations. The QAIP has a number of different elements that contribute towards an ongoing assessment of the nature and effectiveness of the service delivered and the performance of individual auditors, identifying areas for improvement and development on a continuous and ongoing basis. Included within the QAIP are the following and any improvement actions arising in year have been included within both Internal Audit Service and Personal development plans and reported to the Audit and Risk Management Committee:

Customer Satisfaction Surveys

Post Audit Assessments

Auditor Skills Appraisal

Core Competencies

5.3 Internal Audit Developments

A number of improvements have been made during the year to the Internal Audit Service that have been designed to increase the overall efficiency and effectiveness of systems of internal audit across the Council. Some of these improvements include:

- Enhanced reporting arrangements for Chief Officers and Members to reflect organisational change;
- Further development of audit approach to Schools for 2019/20;
- Continuous development of approach to the AGS work including enhanced liaison with Directors;
- Continuous ongoing improvements to engagement arrangements with Chief Officers, managers and Members;
- Developed reporting arrangements for ARMC members;
- New reporting arrangements introduced for the Merseyside Pension Fund including annual/quarterly reporting to the Pensions Board;
- Annual review of Internal Audit Strategy and Charter;
- Ongoing benchmarking against other audit service providers;
- Developed relations with Chief Audit Executives from across the Mersey and North West regions;
- Further development of the Mersey Counter Fraud Group including the establishment of more proactive collaborative cross boundary working;

- Ongoing development of the Intranet facility as a vehicle for communicating audit and risk related issues to clients;
- Ongoing restructuring of automated working folders to reflect GDPR requirements regarding information governance;
- Increased utilisation of mobile technology to enhance efficiency and effectiveness;
- Full compliance with the Public Sector Internal Audit Standards;
- Update and development of counter fraud strategy, policies and procedures;
- Developing our Internal Audit offer for Academy schools and an extended service offering for maintained schools, as part of Wirral Traded Services.

Many of these initiatives will continue to be the subject of ongoing review during 2019/20 to ensure that the very best use of all available resources is made and that Internal Audit continues to provide a value added service to the Council.

5.4 Performance Indicators

For 2018/19 the internal audit service continued to set some challenging targets for all of its key measures, but particularly 'plan delivery' and 'acceptance of High priority recommendations'.

These indicators form part of the overall service performance reporting information for senior management and the Audit and Risk Management Committee.

For 2018/19 summaries of the post audit feedback forms indicate an overall satisfaction rate of 100% with the audit service, with 70% of those respondents actually noting that they were 'very satisfied' and none indicating any grading of dissatisfaction with the service provided.

The table below details the key performance measures relating to Internal Audit and actual performance for 2018/19:

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IA Performance Indicator	Target	Actual
Percentage delivery of IA Plan 2018/19	100	100
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating 'satisfaction' with the IA service.	90	100
Percentage of internal audit reports issued within 10 days of completion of fieldwork.	100	100

5.4.1 Completion of the Internal Audit Plan for 2018/19:

The plan was 77% complete as at the 31 March with 23% carried over into 2019/20 with completion during April/May 2019. This predominately related to audit work started late in the financial year and carried over for completion. At the time of writing this report the IA Plan for 2018/19 was 100% complete for all those audit areas identified to support the assurance opinion. All of the contingency days were utilised, predominately on referrals and investigations work, this equates to 9% of the total audit days available.

5.4.2 Final reports issued within 10 working days of completion of fieldwork:

For all of the completed audits draft reports for discussion with clients were issued within 10 days of completion of the actual fieldwork unless specifically agreed due to client requests.

5.4.3 Some of the comments received on the Customer Survey Feedback Questionnaires:

“The audit was very professional and fair in its approach and judgements reached”

"The process was informative and extremely helpful"

"A very positive experience" "Highly professional"

5.5 Follow up Procedure

Internal Audit undertake a follow up audit of every completed assignment and report the findings to senior management, the Strategic Leadership Team and the Audit and Risk Management Committee. A summary of all recommendations made for each report is provided for the Audit and Risk Management Committee Members bi-monthly identifying:

- The actual number of recommendations made for each report and the summary narrative for each High risk recommendation made;
- The opinions provided in each audit report;
- The position statement for each High risk recommendation;
- RAG ratings indicating actions required and follow up status.

Where there is a failure to implement agreed critical or high priority recommendations by the due date, without any justification for not doing so, a formal process of notification to the Chief Officer and SLT followed by referral to the Audit and Risk Management Committee is in operation.

5.6 Working with External Audit

The Government introduced legislation for local audit during 2013. The legislation abolished the Audit Commission and in line with the government changes the Audit Commission appointed Grant Thornton as the Council's external auditors until 2017. During 2017, Public Sector Audit Appointments (PSAA) on behalf of local Council's undertook a procurement exercise to appoint external auditors to these bodies for a period of five years. Grant Thornton were appointed as the external auditors for Wirral Council.

Throughout 2018/19 the close links with External Audit continued to be important particularly given this change and Internal Audit have liaised closely during the year with External Audit to ensure that any unnecessary duplication has been avoided and resources have been utilised to the best effect. Close links with External Audit have been evidenced by:

- Provision of our plan to them for comment,
- Sharing of our reports and working papers,
- Local progress meetings on a regular basis; and,
- The development and implementation of an effective working protocol.

5.7 Working Relationships

Internal audit have continued to enjoy positive working relationships with staff at all levels of the Council. This assistance is acknowledged and welcomed.

1 Scope, Responsibilities and Assurance

1.1 Approach

- 1.1.1 In accordance with the Public Sector Internal Auditing Standards, the scope of internal audit encompasses all of the Council's operations, resources and services including where they are provided by other organisations on their behalf.

1.2 Responsibilities of Management and Internal Auditors

- 1.2.1 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- 1.2.2 However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to Chief Officers as they have become known to us, without undue delay, and have worked with them to develop proposals for remedial action.
- 1.2.3 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 1.2.4 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.

1.3 Basis of Our Assessment

- 1.3.1 My opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit and Risk Management Committee. We have obtained sufficient, reliable and relevant evidence to support the recommendations that we have made.

1.4 Limitations to the Scope of Our Work

1.4.1 There have been no limitations to the scope of our work.

1.5 Limitations on the assurance that internal audit can provide

1.5.1 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

1.5.2 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

1.6 Access to this Report and Responsibility to Third Parties

1.6.1 This report is prepared solely for Wirral Council and forms part of a continuing dialogue between the Internal Audit Service, the Section 151 Officer, Chief Executive, Audit and Risk Management Committee and management of the Council. It is not therefore intended to include every matter that came to our attention during each internal audit review.

1.6.2 I acknowledge that this report may be made available to other parties, such as the external auditors. I accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, I expect the external auditors to determine for themselves the extent to which they choose to utilise our work.