



Audit and Risk Management Committee
Monday, 23 September 2019

REPORT TITLE:	INTERNAL AUDIT UPDATE REPORT
REPORT OF:	CHIEF INTERNAL AUDITOR

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 1st July to 31st August 2019. There are 4 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 by CIPFA and the CIIA.

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 1st July to 31st August 2019.

3.2. Items of Note

3.2.a Client Finance Support Unit

Following discussion at the previous meeting of this Committee Members requested more information relating to this matter.

The transfer of the Client Finance Support Team (CFST) from the former DASS organisational structure in late 2018 to operate within the Customer Services Division led to the new managers appraising the established manner of working which highlighted a number of concerns regarding ongoing working practices. Subsequent discussions between Internal Audit, Legal Services and officers in the CFST performing the duties increased concerns regarding the following:

- Adequacy of and effectiveness of financial procedures,

- Working processes and practices,
- Training and Development of staff,
- Risk assessments,
- Compliance with GDPR,
- Fitness for purpose of job descriptions in use.

The role of the CFST regarding Deputyship is significant and carries a high level of risk to the Council as the nominated Deputy (Director of Health and Care) is made responsible by the Court of Protection (CoP) to protect and administer the financial affairs of individuals who are classed as being vulnerable and not able to make appropriate financial decisions.

A Client Finance Support Review Group was established in April, coordinated by an external officer and chaired by the Director of Finance and Investment, to review, make decisions and escalate issues in order to drive the improvements required to the effective operation and governance of arrangements for clients requiring financial protection and wellbeing. The group includes representatives from Customer Services, Legal, Health and Care Commissioning and Internal Audit, to ensure that risks are clearly identified and appropriate actions taken.

In April and May 2019, the Director of Finance and Investment wrote to the Office of the Public Guardian (OPG), who supervises all Deputyships appointed by the CoP, informing them of the ongoing concerns and the review process in place. Specifically, it was expected that improvements would be made regarding variable practice that has emerged for both deputy team workers and social workers, the quality of the recordkeeping, the investment in additional capacity necessary and the training and development of staff.

The Review Group has met fortnightly since April 2019 and a visit by an OPG inspector in late August was positive in that initial pre report indications are that the outcome is that the decision-making regarding individual clients monies was seen as appropriate, with suggestions made regarding continuing to improve internal reporting lines, policies and procedures.

Internal Audit have been in regular attendance at the fortnightly group meetings and have input on an ongoing basis, specifically regarding the identified risks at the commencement of the exercise, advice on preparing for the OPG inspector's visit and likely questions, and in assessing the draft policies and procedures prior to finalisation.

The current position at September 2019 is that it is expected that the Review Group will meet for at least another month until all policies and procedures are in place and client monies transferred to dedicated client accounts with all risks and issues in the Action log being completed.

A comprehensive report is scheduled to be presented to this Committee by the Director of Finance and Investment in November 2019 identifying issues identified, outcomes from the external inspection and progress on actions being taken to implement agreed improvements.

3.2.b. Merseyside Pension Fund (MPF) – Civica Pensions5 Data Migration

An audit has been carried out at the request of the Senior Manager Operations and Information Governance at MPF of the migration of data held on the Civica Pensions5 system to the Altair System. The objective of the audit was to determine whether the controls within the phases of document migration from Civica Pensions5 to Altair provide stakeholders with reasonable assurance that the data migration has been effectively completed.

The audit focused on the following risk areas:

- Data integrity following each phase of the migration from Civica Pensions5 to Altair; and
- Data availability following the completion of migration and the decision to Go Live.

The conclusion drawn from the work carried out is that assurance can be provided to stakeholders that the data migration process has been effectively completed. This assurance covers the agreement of the data format specification, through the tripartite quality assurance checks, to the confirmation by sample testing of the integrity and availability of data migrated.

3.2.c Financial Regulations

The Financial Regulations within the Council's Constitution are currently in the process of being updated by Financial Services with the objective to produce a rationalised document that includes a scheme of delegation and seven themes of financial management. The current draft was provided to Internal Audit for comment as part of the review process before finalisation and initiation of the formal approval process. An extensive scrutiny of the draft document has now been completed by Internal Audit officers and a number of recommendations and queries have been included for discussion in the feedback to Financial Services. Internal Audit will continue to be involved in the review process and further updates will be provided in due course.

3.2.d ICT audit Work has been completed during the period to evaluate the effectiveness of controls in operation over a number of systems presenting risks to the Council including the following:

GDPR Compliance in Schools

An exercise was undertaken across a sample of schools using the Information Commissionaires Office (ICO)'s self-assessment checklist to gauge the level of compliance with the General Data Protection Regulation (GDPR) in Schools. We reported our findings and recommendations to the Director for Children's Services. Overall, at the time the exercise was undertaken indications were that good progress was being made working towards compliance. A number of recommendations were identified that included compliance assurances and reporting arrangements that were communicated to all schools via WESCOM. We plan to undertake further

work around this area in Quarter 3 & 4 of 2019/20 plan and the outcome from this work will be communicated to this Committee.

Business Continuity Planning – Crisis Communications

The audit reviewed the controls in place to ensure that an effective Crisis Communication Plan was in place for the Council and that it includes contingency arrangements should all digital communication platforms become unavailable. Four recommendations were made in reports for management that include the updating of the Business Continuity Policy and the updating and regularly testing of business continuity plans in both Digital and Strategic Hub areas. In addition, we also recommended that advice on what actions staff members should take in the event of a crisis should be more readily available and publicised, with targeted training also being provided.

Cyber Security Awareness

Cyber Security is identified as a risk in the Corporate Risk Register with the risk description; 'IT security is insufficient to detect, and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council services. We reviewed the existing and planned mitigating controls as stipulated in the Corporate Risk Register and benchmarked the Authority against guidance provided by the Local Government Association. We made six recommendations that include documenting a Cyber Security Strategy, requesting a Senior Councillor to take the lead on Cyber Security, mandatory training for Councillors and all staff and the completion of annual cyber security awareness campaign for all stakeholders. Further follow work is scheduled to be undertaken later in the year in this area and the outcome will be reported to this Committee in due course.

3.3 Audit Recommendations

- 3.3.a At the request of the Chair a comprehensive list of internal audit activity over the reporting period is attached at Appendix 1 detailing the audits completed and identifying opinions provided and a current BRAG rating indicating the current status of the report and progress being made by officers to address identified issues. This information has previously been provided directly to Members of this Committee on a bi-monthly basis.
- 3.3.b There are currently no outstanding actions identified in audit reports for this period. Many client actions are however currently in progress and Internal Audit will continue to monitor activity 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	Annual Target	Actual % Delivery to date
Percentage delivery of Internal Audit Plan 2019/20.	90	27
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	97

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 is in operation 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 including the appointment of a Risk and Continuity Manager from October 2019 reporting to the Chief Internal Auditor;
- 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 development of performance management and reporting database with enhanced reporting;
- Ongoing improvements to the audit reporting format;
- Development of Traded Services offer to Academy Schools for Internal Audit services;
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non 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

Appendix 1: Internal Audit Activity Summary

BACKGROUND PAPERS

Internal Audit Plan 2019/20

SUBJECT HISTORY (last 3 years)

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