

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 FEBRUARY 2016

SUBJECT:	INTERNAL AUDIT UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i>	NO

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 November to 20th January 2016. There are three items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 3.2.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1. Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely bi-monthly basis. This report supports these arrangements by focussing on the following:

- Any items of note arising from audit work conducted,
- Any issues arising that require actions to be taken by Members,
- Performance information relating to the Internal Audit Service,
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report is for the period 1st November 2015 to 20th January 2016.

3.2. Items of Note

3.2.a Merseyside Pension Fund: Contract Procedure Rules

An audit has been undertaken at the request of the Strategic Director (Transformation & Resources), of the procurement of Infrastructure Advisory Services to Merseyside Pension Fund (MPF). The objective of the audit was to determine whether the process undertaken for entering into the current agreement complied with the current Contract Procedure Rules (CPRs).

The conclusion drawn from the work carried out is that the acquisition of infrastructure advisory services did not comply with any aspect of the CPRs relevant to the award of this type of contract.

A 'High' priority recommendation was agreed with the Head of Service which included the following actions:

- A determination as to whether the officer responsible breached the Officer Code of Conduct;
- A full review of the circumstances and a report outlining the reasons for the non-compliance including steps taken to prevent recurrence.

In response, the Head of Service has:

- Instigated a full disciplinary investigation following advice from Human Resources which is currently on going;
- Agreed to produce a report for stakeholders upon conclusion identifying reasons for the breach and actions taken subsequently;
- In conjunction with the Strategic Director, agreed for Internal Audit to undertake additional assurance work across all contracts let by the Fund to ensure that this is an isolated case and not indicative of a larger problem. This work is currently ongoing.

3.2.b. Better Care Fund

An audit review was conducted of the Better Care Fund (BCF). This is a government scheme which requires Local Authorities to work with their local Clinical Commissioning Group (CCG) to devise, submit and implement plans to work more closely together, so as to improve patient experience and outcomes. The scheme introduces a pooled budget funding regime which also incorporates a reward element, dependent upon the achievement of agreed targets in reducing non-elective hospital admissions. The Wirral BCF submission was “approved with support” in October 2014 and implementation began in April 2015.

The audit review followed up on the “Areas for Further Work” detailed in the audit report of January 2015, (which gave advice and recommendations on areas requiring attention prior to the commencement of the scheme), and sought to obtain evidence that satisfactory progress had been made in respect of these areas.

It was found that there was significant progress in respect of all the areas identified, with implementation continuing in a number of areas. Advice was provided on how risk management of the project could be strengthened, and this was received positively. It was also pleasing to note that the main BCF target of reducing non-elective admissions by 3.5% has been exceeded in Quarter One and Quarter Two by 2.1% and 3.2% respectively, and that the focus on the achievement of the target reduction in admissions continues to be closely monitored.

3.2.c. Edsential

Internal Audit has been appointed the provider of internal audit services to Edsential for an initial period of two years, under the buy-back arrangements in place for the company. Significant work has been undertaken to produce an Internal Audit Plan for this period, which addresses the main risks facing the Company, so as to provide assurance to the Edsential Board that these are being managed effectively. This Plan was approved by the Edsential

Board on 26 January 2016, and delivery of the audit work detailed within will commence in this quarter. The outcomes of any audit work undertaken are wholly the property of Edsential Ltd and will be reported solely to their Board.

This is a valuable opportunity for the Internal Audit Service to demonstrate its expertise in the audit of alternative delivery models and local authority companies that should serve it well in the future.

3.3 Outstanding Audit Recommendations

- 3.3.a Attached at Appendix 1 is a table identifying information relating to those audits where recommended actions included in audit reports for the 2015/16 year to date have not currently been implemented.
- 3.3.b Where items are addressed by officers those entries will be removed from the report on a rolling basis.
- 3.3.c All of the reports identifying outstanding actions are RAG rated as 'amber' indicating that progress is being made to address identified issues. A number of these relate to audits undertaken within ITS and were the subject of a separate report to this Committee in September 2015 by the Chief Information Officer outlining actions being taken to improve and develop existing arrangements and providing Members with necessary assurances that appropriate actions were being taken by officers to address risks in these areas.

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	Actual
Percentage delivery of Internal Audit Plan 2014/15.	69	66
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. (Number of forms returned for the period indicated in brackets)	90	99 (20)
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:

- Implementation of a new Quality Assurance and Improvement Programme (approved by ARMC – September 2015);
- Development and implementation of a more streamlined and dynamic planning process for 2016/17 to allow for the ongoing in-year inclusion of emerging organisational change risks ;
- Collaborative counter fraud exercises across Mersey region;
- Successful regional Counter Fraud Publicity Campaign (16th November 2015);
- Improving corporate counter fraud awareness across the Council;
- Developing and improving reporting arrangements for stakeholders;
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit;
- Implementation of actions arising from the new Public Sector Internal Audit Standards (PSIAS)self-assessment exercise;
- Completion of the first pilot PSIAS quality assurance peer review at Blackburn with Darwin Council by Wirral's Chief Internal Auditor;
- Development of an audit process for providing services to trading companies and similar organisations.

4.0 FINANCIAL

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

8.0 ENGAGEMENT/CONSULTATION

8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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

APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2015/16

SUBJECT HISTORY (last 3 years)

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