

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 JUNE 2016

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| 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 March to 31st May 2016. There are 5 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 March to 31st May 2016.

3.2. Items of Note

3.2.a Risk Management

An audit has been conducted of the corporate Risk Management system focussing on:

- Reviewing the implementation of the recommendations from the previous audit report;
- Reviewing the development and operation of the corporate risk management system; including: Use of Concerto; Links to Performance Management; CIPFA benchmarking exercise for 2015/16; Linkage to directorates; Departmental and project adherence to procedures and principles of good risk management; Roles and responsibilities; Corporate procedures and guidance; and Monitoring and reporting.

The audit resulted in an overall organisational risk opinion of “moderate” and a number of recommendations were made to improve systems in operation and across the following themes:

- Management and maintenance of Risk Registers;
- Compliance with Risk Management Policy;
- Consistency of approach across the Council.
- Risk appetite.

Whilst responsibility for the Corporate Risk Management Policy lies with the Risk and Insurance Officer, responsibility for its successful implementation lies with the organisation. It is therefore imperative that through initiatives such as the cultural change programme, compliance with the Risk Management Policy is undertaken in practice.

It is acknowledged that changes to the planning process are imminent and the introduction of the Wirral Plan will also have an impact on how and when risk management processes will be applied, though obviously the overarching risk management principles will continue to be relevant. This is likely to require the Risk Management Policy to be reviewed to reflect updated procedures. Many of the recommendations in the report relate closely to development of the business planning and performance management framework to support the delivery of the Wirral Plan.

3.2.b Organisational Culture

A follow up audit has been undertaken to verify the implementation of the recommendations made in the previous audit report in 2015. This found that whilst none of the recommendations have been fully implemented, progress continues in respect of all of the recommendations:

- Work is underway to refresh the organisational Values and Behaviours to support the new operating model. Once the update to the Values and Behaviours has been approved, steps will be taken to communicate them to staff to ensure awareness and integration in all activities across the organisation;
- There is a significant corporate drive to ensure that the target for completion of performance appraisals is achieved for 2016/17;
- There has been work undertaken to give priority to specific mandatory training courses during the year, and monitoring of completion rates continues;
- It was stated that a Staff Survey is expected to be completed during 2016/17. A Briefing Note was presented to Strategic Leadership Team, which discussed the proposal to launch a staff survey during the summer of 2016.

Further audit work is planned for later in the year to confirm the continued implementation of the recommendations, and to broaden the focus of the work into other areas of organisational culture.

3.2.c. Annual Governance Statement

To support the production of the Annual Governance Statement 2015/16, Internal Audit has undertaken work to review the adequacy and effectiveness of the Council's governance arrangements. The work included:

- Distribution, review and sample testing of Governance Assurance Statements issued to SLT members
- Review of the arrangements for compliance with the Transparency Code.
- Review of key areas of legal and democratic arrangements.
- Review of Significant Governance Issues included within the Annual Governance Statement 2014/15.

The work concluded that the arrangements reviewed were adequate. The most significant planned development is the review of the Council's Code of Corporate Governance, to coincide with the publication of the revised CIPFA/SOLACE guidance. It is expected that this will happen over the coming months, with an associated programme of awareness-raising for staff and members.

The draft Annual Governance Statement 2015/16 is presented elsewhere on the agenda for this Committee meeting for your information and approval.

3.2.d Safeguarding

A consultancy style audit review of the governance arrangements in relation to those bodies that have an interest in safeguarding children issues is being undertaken following a recommendation made in the 'Safeguarding Children In Wirral Scrutiny Review' reported in December 2015. The aim of the audit is to provide an independent view on the inter-connectivity between relevant bodies, the clarity of the different roles and the overall effectiveness of the working arrangements with regard to safeguarding. Upon completion later this month the findings and any actions required will be reported to the relevant Strategic Director and this Committee in the usual manner.

3.2.e Merseyside Pension Fund: Contract Procedures

Following an audit undertaken during 2015/16 into the procurement of infrastructure advisory services to the Merseyside Pension Fund (MPF), that was reported to this Committee in February 2016, further assurance work has been completed across all MPF contracts to ensure compliance with Contract Procedure Rules and MPF policy.

The conclusion was that the contract processes within MPF for ensuring compliance with relevant corporate regulations and MPF policies are effective although a number of improvements to the current control environment have been agreed with the Head of Service that include:

- Enhancing the level of detail and guidance within the MPF Compliance Manual in respect to the CPRs and the role and responsibilities of the Investment Committee;

- Explicitly recording within the minutes of the Fund Operating Group the expected actions of the lead officers following discussions on all service contracts;
- Liaising with Corporate Procurement over two long standing contractual arrangements to establish whether further action is required to ensure continued CPR compliance.

Follow up work to evaluate progress in implementing agreed actions has been scheduled and the outcome of this work will be reported to this Committee in due course.

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 2015/16 and the current year to date have not 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. These actions are currently being overseen by the Information Governance Board chaired by the Strategic Director for Transformation and Resources.

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 2016/17. | 6 | 6 |
| 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 | 90 | 99 (10) |

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|--|-----|-----|
| forms returned for the period indicated in brackets) | | |
| 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 AGS working to allow for recent changes made to the CIPFA/SOLACE best practice guidance;
- More collaborative counter fraud exercises across Mersey region;
- Ongoing regional Counter Fraud Publicity Campaign (following the successful campaign in November 2015);
- Improving corporate counter fraud awareness across the Council;
- Further developments in 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;

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.

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APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2015/16 and 2016/17

SUBJECT HISTORY (last 3 years)

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