

## WIRRAL COUNCIL

### COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

17 NOVEMBER 2011

<b>SUBJECT:</b>	<b>REVIEW OF INTERNAL AUDIT</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION:</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 In response to a request by Cabinet on 22 September, this is an initial report, which outlines areas of work which Internal Audit could include in the Annual Plan to strengthen further the corporate governance of the Council.
- 1.2 The report also recommends that external perspectives of the workload, organisation and structure of Internal Audit be considered to identify any improvements which could ensure that any warnings are clearly heard and responded to by management.
- 1.3 The Corporate Governance Committee on 26 October 2011 agreed the following:-
  - a) The additional areas of work that Internal Audit could conduct to strengthen corporate governance and agreed to obtain external perspectives of the workload, organisation and structure of Internal Audit to identify possible improvements.
  - b) The objective of this work is to provide a fit for purpose Internal Audit Service, both in terms of planned work and skills availability to which management responds thereby strengthening the corporate governance of the Council, and consequently enhancing service delivery.

#### 2.0 RECOMMENDATION

- 2.1 That the report be noted.

#### 3.0 REASON FOR RECOMMENDATION

- 3.1 The reason for these recommendations is to respond to the findings of the AKA Report on Corporate Governance by strengthening the arrangements for Internal Audit in respect of capability and capacity.

## **4.0 BACKGROUND**

- 4.1 The service provided by Internal Audit is constantly evolving to support the management and leadership of the Council. The recent report into corporate governance coupled with changes to the management of the Authority and the tightening financial climate mean that it is an appropriate time to reflect on how Internal Audit may be strengthened, and to ensure that management responds appropriately to recommendations.
- 4.2 An initial analysis of specific topics Internal Audit could include in the Annual Plan to strengthen the corporate governance of the Council includes:
- Corporate Performance – systems, interpretation and use of data.
  - Governance – on-going role to ensure compliance with systems and that systems and policies are appropriate.
  - Risk Management – ensuring culture is embedded in the Council, and particularly that risks and emerging risks are clearly identified.
  - Counter Fraud – an increasing area of risk
  - Identification, dissemination and reporting of good practice across the Council.
  - Corporate Planning - links from corporate to service planning
  - Effectiveness and appropriateness of strategies.
- 4.3 In order to respond to such an enhanced workload it is important to gain experienced external perspectives on the potential workload, organisation and structure of Internal Audit. The objective is to ensure that Internal Audit is fit for purpose in terms of both planned work and skills availability, and that the management of the Authority responds appropriately. As part of the process, advice will be sought as to how best to align the professional competency framework with the proposed corporate performance management mechanisms.

## **5.0 RELEVANT RISKS**

- 5.1 Failure to review the workload, organisation and structure of Internal Audit may mean that the weaknesses in corporate governance identified in the Corporate Governance report are not appropriately addressed.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 Other options are not to undertake the review or to undertake it in house.

## **7.0 CONSULTATION**

7.1 The Comprehensive Work Programme to Achieve Improvements in Corporate Governance which was presented to the Corporate Governance Committee on 26 October 2011, identifies a need to consult Members, Audit and Risk Management Committee, Chief Officers and the District Auditor, and to benchmark with other local authorities known for best practice.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1 There are none arising out of this report.

## **9.0 RESOURCE IMPLICATIONS: FINANCIAL; STAFFING; ASSETS**

9.1 **FINANCIAL:** There will be a cost to the appointment of any external reviewer; this will be dependent on who is appointed and the timescale set. There may be financial implications to any recommendations.

9.2 **IT:** None

9.3 **STAFFING:** None currently identified but could arise from any recommendations.

9.4 **ASSETS:** None

## **10.0 LEGAL IMPLICATIONS**

10.1 Any revised service must still comply with current regulations and best practice.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 None.

## **12.0 CARBON REDUCTION IMPLICATIONS**

12.1 None

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 None

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**SUBJECT HISTORY (last three years)**

<b>Council Meeting</b>	<b>Date</b>
Cabinet	22 September 2011
Corporate Governance Committee	26 October 2011