

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

19 MARCH 2013

SUBJECT:	INTERNAL AUDIT UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report identifies and evaluates the performance of the Internal Audit Section and includes details of any issues arising from the actual work undertaken during the period 1 January 2013 to 28 February 2013. There are five items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified in order of risk at Section 2.2.

2.0 BACKGROUND AND AUDIT OUTPUT

2.1. Internal Audit recently introduced a more effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on a more timely monthly basis. This report supports the revised 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 1 January to 28 February 2013.

2.2. Items of Note

2.2.a Asset Management

An audit was undertaken in the period to review the adequacy of the controls in operation over the corporate Asset Management System. The aim of the audit was to establish if the existing system was fit for purpose and effectively controlled. The audit generated a 'minimum' assurance opinion and identified 13 recommendations of which 6 were High priority. The High priority recommendations related to the need for a clear corporate Asset Management Plan and Strategy; ensuring asset recording systems were accurate and up to date; ensuring that as part of the programme to rationalise all Council buildings and office accommodation that a clear action plan is in place drawing upon all relevant information – both quantitative and qualitative; ensuring office accommodation is utilised to its full potential and the movement of staff is undertaken efficiently; ensuring correct fees and charges are applied, documented, and approved; and the existence of a clear documented policy regarding evidencing the value of properties disposed of by the organisation. The recommendations have been discussed with senior management and an action plan for implementing recommendations within an

agreed timescale agreed. Follow up work is scheduled for early in the new financial year and an update on this will be provided to Members in due course.

2.2.b Absence Management

An audit was undertaken in the period to review the adequacy of the controls in operation over the corporate Absence Management System. The aim of the audit being to gain assurance on the operation of the corporate policy regarding sickness issues including compliance with legislative requirements. The audit generated a 'limited' assurance opinion and identified 4 recommendations of which 3 were High priority. The High priority recommendations related to improving data capture systems, ensuring adequate training was provided to Managers and Staff throughout the Authority and the need for all related documentation to be completed accurately and submitted in a timely fashion. The recommendations have been discussed with senior management and an action plan for implementing recommendations within an agreed timescale agreed. Follow up work is scheduled for early in the new-year and an update on this will be provided to Members in due course.

2.2.c Improvement Plan

An audit was undertaken in the period to review the adequacy of the controls in operation over the Improvement Plan. The audit focused on the current process in place for the Improvement Plan but not the delivery of the actual improvement targets due to the Plan being in the infancy of its programme life cycle. The audit generated a 'substantial' assurance opinion and identified 4 recommendations of which 2 were medium priority. However, audit testing will be undertaken next financial year in order to gain assurance regarding outcomes, the achievement of targets and deadlines within the Improvement Plan and the impact of those achievements.

2.2.d Libraries

An audit was undertaken to review the cash management arrangements at the Council Libraries where income is collected on behalf of a number of external organisations. e.g. for charitable items and voluntary activities. The objective was to determine whether the financial, legal and reputational risks had been identified and the controls in place provided managers with reasonable assurance that the activities comply with current policy and the assets held are protected against loss. Five libraries were visited to provide an assurance opinion for the overall library system and the findings generated a 'minimum' assurance rating. It was acknowledged that the levels of cash transactions for this activity are minimal but the impact from the legal and reputational risks are considered significant. Four detailed recommendations assessed as 'high' priority were included within the report to address the key risks identified. These relate to the need for; a Departmental Policy to cover this activity; detailed operational guidance notes to be provided to each library; the introduction of a document to formalise the arrangements with the external organisations and the maintenance of adequate stock and cash records. All recommendations have been agreed by the Library Management Team and Internal Audit will provide significant assistance and input to the development of the recommendations and ensure implementation within an acceptable timescale.

2.2.e. The Holy Spirit School

This school was the subject of an audit in December 2011, during which many significant issues were highlighted and an audit opinion of one star was given. Two follow up audits have now been completed at the school, in October 2012 and February 2013, and excellent progress has been made. The changes effected at the school were very evident during discussions with the Head Teacher and School Business Manager, and it was pleasing to note that all recommendations have now been implemented.

2.3 Internal Audit Performance Indicators

2.3.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 (%)
Delivery of Internal Audit Plan.	90	86
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating satisfaction with the Internal Audit service.	80	93
Internal audit reports issued within 10 days of the completion of fieldwork.	100	97

2.3.b There are currently no issues arising.

2.4 Internal Audit Developments

2.4.a Good progress is being made to deliver the Internal Audit Improvement Plan which is designed to drive a number of developments and initiatives aimed at increasing the overall efficiency and effectiveness of systems of internal audit across the Council. Of the 18 actions identified 12 have now been fully implemented and good progress has been made in respect of the remaining actions within the agreed timescales. Only 1 action has fallen behind and this relates to improvements required to the current filing system in operation, a fairly low risk issue that will be addressed when resources become available early in the new financial year. Some of the improvements implemented to date include:

- Implementation of a revised audit report format incorporating opinions on systems, compliance and organisational impact,
- Introduction of Letter of Engagement for all audits,
- Development of a Training and Development Program for audit staff,
- Developed reporting arrangements for Chief Officers and Members,
- Implementation of a three year strategic internal audit plan,
- Improved engagement with Chief Officers and managers,
- Enhanced escalation procedures for audit issues identified,
- Improved reporting arrangements for ARMC members,

- Collaborative arrangement with Liverpool Internal Audit,
- Regular scheduled attendance at departmental DMT's,
- Comprehensive staff training program developed,
- Implemented RAG ratings system for audit opinions and action progress.

A copy of the Internal Audit Improvement Plan is attached at Appendix 1 identifying the progress made to date to implement all actions.

2.4.b The improvement plan was designed to be delivered over a twelve month period up to September 2013 and during this period implement some significant and fundamental changes to the nature of the service and its delivery. However, it is acknowledged that there will always be the need to constantly challenge and evaluate the effectiveness and efficiency of the way in which the service is delivered well into the future. Consequently it is my intention to continue to utilise the Improvement Plan vehicle on a constantly rolling basis adding new improvement targets and reporting on progress in similar fashion to as at present. Improvement targets added to date include:

- Self-assessment against the Public Sector Internal Auditing scheduled for May 2013, reporting outcomes and actions to Members upon completion,
- A complete review and revise of the Internal Audit Charter and Strategy, reporting to Members in June 2013 on this,
- Implementation of the Excellent Internal Auditor Framework,
- Development of the Internal Audit Intranet facility as a vehicle for communicating audit and risk related issues to clients.
- Implementing a post audit assessment system to identify areas for improvement.

2.4.c The first UK Public Sector Internal Audit Standards come into force in April 2013 and all local authorities will be required to implement the new standards from April and report on compliance with these by June 2014. Internal Audit plan to undertake a self assessment exercise against the standards over the coming months and report the findings and any required actions to this Committee upon completion.

3.0 RELEVANT RISKS

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

3.2 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.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options considered.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATIONS

12.1 That the report be noted.

13.0 REASON FOR RECOMMENDATION

13.1 To provide the Members with assurance that the Council is taking appropriate measures to comply with statutory requirements to provide an adequate and effective internal audit service.

13.2 To ensure that risks to the Council are managed effectively.

13.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

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APPENDICES

Appendix 1: Internal Audit Improvement Plan

REFERENCE MATERIAL

Internal Audit Plan 2012/13

SUBJECT HISTORY (last 3 years)

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