

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

10 JUNE 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 March to 31 May 2013. There are 2 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 March to 31 May 2013.

2.2. Items of Note

2.2.a Performance Management

An audit was undertaken in the period to review the adequacy of the controls in operation over the corporate Performance Management System. The aim of the audit was to establish if the existing system was fit for purpose and effectively controlled. The audit generated 'minimum' assurance opinions for the actual system and compliance and a 'major' opinion for the corporate impact. 9 recommendations were identified in a report for management of which 8 were High priorities. The High priority recommendations related to:

- Performance management policies and procedures being completed, disseminated to relevant staff and adhered to in practice.

- The performance management framework ensuring that benchmarking data and best practice are utilised effectively, all departments/sections and appropriate officers being engaged in the process and having received necessary training, and a system being in place for swiftly addressing and implementing recommendations from internal and external sources.
- The most effective structure and format of performance reports being decided upon and applied at all levels to ensure consistency in reporting.
- Deciding how best to highlight and report upon performance outcomes and achievements being delivered.
- Designating appropriate staff to calculate, review and be accountable for each performance indicator, with roles and responsibilities being clearly understood.
- Restricting the volume of corporate and departmental performance indicators to include only those deemed most relevant for monitoring performance and outcomes against objectives.
- Ensuring that there are clear links between the aims, objectives and associated targets and indicators contained within the Corporate, Departmental and Team/Individual Plans.
- Ensuring that the targets set and evidence used to substantiate the targets are scrutinised and approved as being appropriate prior to the start of the reporting period. This should be documented in the performance management information system, along with any justification and approval by a senior manager if a target is amended during the course of the reporting year.

It is acknowledged that the establishment of the Department of Policy, Performance and Public Health has initiated planned improvements in this area and that actions arising from the audit report will be included in these developments. Specific actions have been agreed with senior management to address all of the issues identified within an agreed timescale and follow up work will be undertaken during 2013/14 to evaluate progress. The findings of this work will be reported to Members of this Committee in due course.

2.2.b Training and Development

An audit was undertaken in the period to review the adequacy of the controls in operation over the corporate Training and Development System. The aim of the audit being to gain assurance on the effectiveness and operation of the corporate policy. The audit generated 'limited' assurance opinions for the actual system and compliance and a 'major' opinion for the corporate impact. 9 recommendations were identified in a report for management of which 5 were High priority. The High priority recommendations related to the organisation having an up to date training and development policy and people strategy that is fit for purpose, universally promoted and complied with and published on the Intranet. 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 the second quarter of the new-year and an update on this will be provided to Members in due course.

2.3 Outstanding Audit Recommendations

2.3.a Attached at Appendix 1 is a table identifying information relating to those audits where recommended actions included in audit reports have not currently been implemented.

2.3.b It is my intention in future to include this table as an attachment to this report on a routine basis identifying only those items that remain outstanding and may require the attention of or action by Members. Where items are addressed by officers those entries will be removed from the report on a rolling basis. This additional information is designed to address concerns raised by Members at the previous meeting regarding retaining sight of issues flagged for attention.

2.4 Internal Audit Performance Indicators

2.4.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 (%)
Delivery of Internal Audit - Plan 2012/13.	90	93%
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	95

2.4.b There are currently no issues arising.

2.5 Internal Audit Developments

2.5.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 13 have now been fully implemented and good progress has been made in respect of the remaining actions within the agreed timescales.

- The implementation of a revised audit report format incorporating opinions on systems, compliance and organisational impact,

- The introduction of Letter of Engagement for all audits,
- The introduction of a Training and Development Program for audit staff,
- Developed reporting arrangements for Chief Officers and Members,
- The implementation of a three year strategic internal audit plan directly linked to the key corporate priorities ,
- Improved engagement with Chief Officers, managers and Members,
- The introduction of enhanced escalation procedures for audit issues identified,
- Improved reporting arrangements for ARMC members including monthly RAG rated update reports,
- Collaborative arrangement with Liverpool Councils Internal Audit services,
- Significantly restructuring and refocusing the service in line with other best practice providers,
- Regular scheduled attendance at departmental DMT's and the Chief Executives Corporate Strategy Group by the Chief Internal Auditor,
- The Implementation of a RAG ratings system for audit opinions and action progress,
- The introduction of ongoing benchmarking against other audit service providers,
- Raised awareness and profile of the Internal Audit service across the Council,
- The introduction of a developed Annual Governance Statement process across the Council promoting corporate ownership,
- The introduction of a service level agreement with the Pension Fund,
- Enhanced relations with Chief Internal Auditors from across the North West region.

A copy of the Internal Audit Improvement Plan is attached at Appendix 2 identifying the progress made to date to implement all actions.

2.5.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 this period, reporting outcomes and actions to Members upon completion,
- A complete review and revise of the Internal Audit Charter to comply with the new Public Sector Internal Standards. A report on this is included elsewhere on the agenda.
- 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.

2.5.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: Audit Recommendations Status Report
Appendix 2: Internal Audit Improvement Plan

REFERENCE MATERIAL

Internal Audit Plan 2013/14

SUBJECT HISTORY (last 3 years)

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