

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

28 JANUARY 2014

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

### 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 November to 31 December 2013. There are four 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 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 November to 31 December 2013.

#### 2.2. Items of Note

##### 2.2.a. IT Disaster Recovery

An audit was conducted to evaluate the effectiveness of IT Services' procedures for responding to an incident that would affect the availability or use of ICT for business critical systems. Although the audit did not include a comprehensive review of the response to the major power failure in September 2013, this incident provided a useful reference for the effectiveness of responses and procedures.

The conclusion drawn from the work carried out is that whilst IT Services staff have a good understanding of the interdependencies of ICT systems, documented recovery procedures are either not present or are out-of-date, meaning that recovery may be carried out in an ad-hoc manner which does not reflect the current priorities of ICT users and the ongoing requirements of the business.

Four high priority recommendations were made regarding the creation, approval and ongoing maintenance of a documented ICT Disaster Recovery Plan which meets the requirements of the business, and the establishment of proactive communication channels during the recovery stage.

The Interim Head of IT Services has agreed all of the recommendations and has advised that, although ITS does not currently have the resource to document an up-to-date ICT Disaster Recovery Plan, ITS is pursuing a number of management meetings to ensure that key issues are addressed, and the service desk is working on a Major Incident procedure which includes ensuring all customers are kept up to date with the process of resolving major incidents.

#### 2.2.b Directorate Planning

An audit was conducted to evaluate the adequacy and effectiveness of the controls in operation for the compilation of the 2013/14 Directorate Plans. The audit work resulted in “minimum” control and compliance opinions, with a corporate impact of “major”. Three high priority recommendations were made which related to:

- Compilation of, dissemination of and adherence to fit for purpose directorate/business planning policy and guidance.
- Clarity as to the Directorate Plans expected to be produced; and the necessity for senior management to be fully engaged in compiling Plans.
- Approval and publication of Directorate Plans in advance of the start of the financial year.

The audit report acknowledges that the Performance, Business Intelligence and Commissioning Team only officially formed on 1 April 2013, following the integration of Public Health into the Council, and that this, coupled with the extensive process required to evaluate the budget position and pressures facing the Council, had an impact upon the timescales and production of the Directorate Plans for 2013/14. The report also acknowledges a Service/Project Plan has now been established for ‘Performance and Business Intelligence’. It is anticipated that the recommendations included within the report will provide detail to support the ongoing implementation of the actions within this Plan.

Follow-up work is scheduled to be undertaken in February 2014 and will encapsulate the actions being undertaken by the new team, with the expectation that actions will be evident in the directorate planning process for 2014/15.

#### 2.2.c Golf Courses

An audit was conducted to evaluate the adequacy and effectiveness of the controls in operation over the Income Collection and Banking at a selected recreation site. The audit was undertaken at the request of the Business Support Manager and had arisen over concerns about the banking arrangements for the income collected.

The findings of the audit identified minimal assurance opinions for the control environment and compliance and a moderate organisational impact rating

with a significant number of recommendations included to address issues in the following areas:

- Content and wording of the lease that the Council has with external partners, who collect income on behalf of the Council,
- Collection, banking and reconciliation of income collected,
- Charging policies and procedures,
- Insurance and security arrangements for income.

The Business Support Manager has agreed to implement all of the recommendations made in the report with immediate effect and to ensure that control arrangements in place at other similar sites are consistent with these.

Internal Audit plan to undertake further work in this area in the new year to evaluate and test the effectiveness of the revised arrangements across a range of recreation sites.

#### 2.2.d External Assurances

At the September 2013 meeting of this Committee a report was presented identifying progress made by the Council to address actions arising from external inspection reports for 2012/13. At that time a small number of items were identified as being outstanding and required work to be undertaken to implement specific actions. The following identifies the progress made to date to address these issues as verified by Internal Audit:

- Related Party Transactions

Financial Services formally send documents for completion to each Member and a range of Senior Managers, for the current year this is to include any manager who reports directly to a Chief Officer or Head of Service. The existing principle of sending three reminders will remain, and the audit recommendation that any remaining unreturned declarations at that stage would in future be referred to the Chief Executive in cases of officers and the Party Leaders in cases of Members has now been implemented.

- Safeguarding

A meeting with the newly appointed Safeguarding Manager has been arranged for the first week of January 2014 to verify in detail the implementation of the recommendations from the Peer Challenge Review. Details of this review have been included in regular reports on the Improvement Plan to Cabinet with positive progress identified.

- 1Business Retrospective Orders

The Corporate Procurement Board has initiated a 'No PO No Pay' policy with the likely implementation date being 1<sup>st</sup> April 2014. This policy has the full support of the Strategic Director, Transformation & Resources, and involves the centralisation of purchase coordinators within the Council and the cessation of paying free standing invoices. There is a project plan in place for this initiative which will achieve the recommendation of not raising retrospective orders. This area of operations is included in the Strategic Audit

Plan and will be subject to regular internal audit coverage to ensure its effectiveness.

### 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 Following discussion at the previous meeting of this Committee it is my intention to continue to include this table as an attachment to this report 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. At the request of Members the date of the original audit as well as the date of the follow up audit has now been included in the table where relevant.

### 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
Percentage delivery of Internal Audit Plan 2013/14.	70	67
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating satisfaction with the Internal Audit service. (Numbers returned indicated in brackets)	80 (80)	95 (75)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	96

2.4.b There are currently no issues arising.

### 2.5 Internal Audit Developments

2.5.a Good progress has been 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 16 have now been fully implemented and good progress has been made in respect of the remaining actions within the agreed timescales. Actions undertaken to date include:

- 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,
- Developed collaborative arrangement with Liverpool Council's 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 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.

2.5.b The improvement plan was designed to be delivered in the current financial year and implement some significant and fundamental changes to the nature of the service and its delivery. This has undoubtedly been achieved 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 Standards scheduled for this period, reporting outcomes and actions to Members upon completion,
- 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 an IA staff development programme incorporating post audit assessments to identify areas for improvement/development.

2.5.c The first UK Public Sector Internal Audit Standards came into force in April 2013 and all local authorities are required to evaluate implementation of the new standards from April and report on intended compliance with these by June 2014 with full implementation and compliance required by 2018. Internal

Audit are currently undertaking a self assessment exercise against the standards and plan to report the findings and any actions undertaken to address issues arising to this Committee in March 2014.

- 2.5.d The Service has recently developed and implemented an Auditor Skills Appraisal system that provides a comprehensive mechanism for evaluating the effectiveness of individual members of staff against a set of agreed core competencies for professional internal auditors. The system allows senior management, individual auditors and clients to undertake detailed assessments identifying any areas for improvement and provides individual auditors with a bespoke personal development and training plan to address any needs that are identified during the process. The system will ultimately ensure that the Internal Audit Service is able to continue to maintain consistently high standards of service delivery into the future.

### **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'.

**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 2013/14

## **SUBJECT HISTORY (last 3 years)**

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