

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

18 MARCH 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 January to 20 February 2014. 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 January 20 February 2014.

#### 2.2. Items of Note

##### 2.2.a. Corporate Procurement

An audit was conducted to evaluate the adequacy and effectiveness of the controls over the Corporate Procurement arrangements in operation across the Council. The audit included an evaluation of the following areas:

- Procedure Rules and Policies,
- Utilisation of IProcurement,
- Processes for the Completion of Contracts,
- Contract Management and Performance Monitoring

The work resulted in “minimum” control and compliance opinions, with a corporate impact of “major”. A number of high priority recommendations were identified in an action plan agreed with management that includes actions to deliver improvements in the following areas:

- The implementation of the ‘No Purchase Order No Pay Policy’
- The need for all formal tender exercises to be promptly progressed to completion with a formal contract being drawn up and signed/sealed accordingly,
- The need to ensure procurement savings and calculations are robust and that clear evidence is collated and retained by the Corporate Procurement Unit.

The Head of Procurement and the Director of Resources have responded very positively to the findings in the report and are currently coordinating the implementation of the required actions across all areas of the Council.

Follow up work is scheduled by Internal Audit for May 2014 to evaluate progress made to implement agreed actions and the findings will be reported to this Committee.

#### 2.2.b Central Libraries

Audits conducted of the Central Libraries in October 2013 and subsequently reported to this Committee in November 2013 identified a significant number of weaknesses and reported a 'minimum' assurance opinion for both the control and compliance environments with a moderate corporate impact. It resulted in high priority recommendations across the full range of risk areas that included;

- Income/Charging,
- Asset Management,
- Security,
- Cash Handling.

Senior management reacted positively to the reports and agreed to implement the associated action plan within an agreed timescale. Internal Audit has continued to provide ongoing support and assistance during the development and implementation of the new controls. The scheduled follow-up audit is currently underway and although the recommendations are currently ranked as 'amber', it is encouraging to note that the initial findings indicate that significant progress has been made to implement all the recommendations. A full report for senior management is being prepared and will be issued in due course.

#### 2.2.c Income Control

An audit of the Income Control system in September 2013 generated a 'minimum' assurance opinion for the control environment and a 'limited' opinion for control compliance. A recent follow-up audit has identified that all

recommendations have now been fully implemented including the actions reported within the audit observations.

#### 2.2.d Information Governance Board (IGB)

Following discussion at the meeting of this Committee in January 2014 regarding the above I feel it is appropriate to provide you with an update on the outcome of the meeting of the board on the 6th February 2014 as a number of audit recommendations relating to information governance are being managed by this group.

At the meeting, chaired by the Strategic Director Transformation and Resources the following was formally agreed:

- Membership, terms of reference and regularity of meetings to ensure that there was clarity on common purpose and that all areas of Council business were represented,
- That all actions arising from the authority-wide Managers' Information Governance Checklist be included in an Information Governance Action Plan and that ongoing delivery of this be managed by the Board,
- That the Information Governance Action Plan also include all those actions that have previously had no clear responsible corporate owner and include such things as the Public Services Network Code of Connection requirements, Internal Audit recommendations and any other significant governance issues arising.
- That additional specialist resource be made available to ensure that Wirral meets its obligation to comply with the NHS Information Governance Toolkit

The next meeting of the board is scheduled for the 27 March 2014.

### 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 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.

2.3.c With the exception of one item previously reported to this Committee relating to the Payment Card Industry Regulations compliance, and for which actions are in hand, all of the reports identifying outstanding actions are RAG rated as 'amber' indicating that progress is being made to address identified issues.

## 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.	80	82
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 (100)	96 (90)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	97

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 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 have undertaken 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 June 2014.

### **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

**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.