

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

23 JUNE 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 March to 31 May 2014. There is one item of note concerning audit work undertaken that is brought to the attention of the Members for this period and this is 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 March to 31 May 2014.

### 2.2. Items of Note

#### 2.2.a. Golf Course Income

The Strategic Director and Head of Sport and Recreation requested an audit review of income maximisation from the operation of the golf courses including an assessment of the terms and conditions of the individuals providing the service. The audit work covered an appraisal of the correct and current fees and charges in operation, analysis of the methodology of reconciling takings to actual bankings, and consideration of potential sources of increased income including the current working practices of the golf professionals and their assistants.

Areas for improvement were identified and actions to strengthen the control environment were discussed and agreed with the relevant senior managers. It could be seen that immediate action was taken regarding five of the nine recommendations made, with significant work ongoing in the other areas. This has resulted in a more effective reconciliation process now being implemented, the facility for payment by direct debit introduced and the Council's cash collection service now including the golf courses, in addition work is ongoing reviewing working practices. The recommendations are

expected to be followed up in full in August 2014 and an update on the outcome of 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. The period covered is for the 2014/15 year, however outstanding recommendations made in the fourth quarter of 2013/14 have been included in the listing for completeness.

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 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.	6	6
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 (4)	100 (4)
Percentage of 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 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 September 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'.

**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 and 2014/15

## **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.