

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 SEPTEMBER 2014

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 June to 31 July 2014. There are two items 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 bi-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 June to 31 July 2014.

2.2. Items of Note

2.2.a Performance Management

A follow up audit was undertaken during the period to evaluate progress made to implement a significant number of actions identified in an audit conducted during 2013/14 of the corporate Performance Management system. The original 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 pleasing to note that the findings of the audit indicated that all of the agreed recommendations to improve systems in the areas identified have been actioned. Further audit work is scheduled for this important area of operations later in the year to evaluate the impact of the implemented actions. An update on this will be included in future reports to this Committee.

2.2.b. Risk Management

A follow up audit was undertaken during the period to evaluate progress made to implement a significant number of actions identified in an audit conducted during 2013/14 of the corporate Risk Management system. The original audit generated 'minimum' assurance opinions for the actual system and compliance and a 'major' opinion for the corporate impact. 8 recommendations were identified in a report for management of which 6 were High priorities. The High priority recommendations related to:

- A fit for purpose risk management framework which is corporately driven, adequately resourced and consistently applied across the Council, must be developed, documented, promoted and put into operation, having utilised all available benchmarking data and current best practice.
- The Risk Management Strategy and Policy should be reviewed and approved, endorsed by the Chief Executive's Strategy Group and

disseminated effectively. It must be fully aligned to the outcomes expected of a robust risk management framework and be evaluated on an annual basis for continued fitness for purpose.

- An effective system must be implemented to ensure that all risks to the organisation are monitored on an ongoing basis to ensure that appropriate actions are being taken to manage or alleviate risks and to ensure that any emerging risks are considered.
- Systems being developed to evaluate and manage risks should be robust and link directly to corporate objectives and directorate aims and performance data should be utilised to track the movement of key risks and actions being taken to address them.
- All risks associated with other influential organisations /partners must continue to be monitored and evaluated.

The findings from the audit indicate that significant progress had been made to address the actions identified and we feel more confident that risks are now being identified and managed more effectively by the organisation. It is noted that further important development work is currently being undertaken to improve systems in the following areas:

- The prompt implementation of the Corporate Risk Management Policy to encourage, develop and embed risk management into the culture of the organisation.
- Following the introduction of the new Risk Management Policy training is to be provided and will be offered in various formats e.g. face to face, 'e' learning etc.
- Development of the corporate Partnership Register to assist the Risk and Insurance Officer in providing challenge and subsequent assurance that risks associated with partners have been considered in the evaluation of risks associated with the delivery of objectives.

Further audit work is scheduled for later in the year to evaluate the adequacy and effectiveness of the controls in operation over the Risk Management Framework system following the implementation of the newly adopted Risk Management Policy. This work will seek to provide further assurance of the effective operation of risk management within Directorates. The findings from this work will continue to be included in future update reports to this Committee.

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 2014/15.	30	28
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)	85 (22)	100 (18)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	92

2.4.b There are currently no issues arising.

2.5 Internal Audit Developments

2.5.a Continuous improvement is important to the overall efficiency and effectiveness of the Internal Audit Service and as such the Internal Audit Improvement Plan has been revisited and updated to incorporate the findings from the self assessment exercise undertaken to evaluate the service against the new Public Sector Internal Audit Standards. A separate report on this is included elsewhere on the agenda for this Committee.

Some of the actions taken 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 bi-monthly RAG rated update reports,
- Significantly restructuring and refocusing the service in line with other best practice providers,
- The adoption of a new Code of Ethics for Internal Audit.

Work is also currently ongoing with audit colleagues from across the North West of England to develop and implement an external quality assurance system that meets the requirements of the Standards identified above.

I will continue to regularly update you on actions taken to improve the service via this update report delivered to each Committee meeting.

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 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 2014/15

SUBJECT HISTORY (last 3 years)

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