

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

25 NOVEMBER 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 August to 31 October 2014. There are 5 items of note concerning audit work undertaken that are 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 operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely bi-monthly basis. This report supports these 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 August to 31 October 2014.

2.2. Items of Note

2.2.a Financial Systems

Work has been undertaken during the period to review and evaluate the effectiveness of controls in operation over a number of key financial systems as detailed below:

Payroll Central System
Revenue Budget Cycles
MPF Payroll
Income / Debt Management – CYPD
Cash Management

The findings of the work continue to provide positive assurances to managers and the external auditors that the control environments for these fundamental financial systems are sound and that risks are being effectively managed. A small number of areas for improvement have been discussed and a timescale for implementation agreed with management.

2.2.b Commissioning

During the period Internal Audit were requested by the Strategic Director, Transformation and Resources to undertake a review of payments that had been made by the Council to a service provider, examining the actual commissioning, expenditure, and compliance with the Council's operating rules.

Audit work is concluding and findings indicate that whilst there is no inference of impropriety against any Council officer there have been examples identified of inadequate control which needs to be corrected, and on a number of occasions the Council's Contract Procedure Rules have been breached which will require reporting to this Committee in due course. A draft report has been prepared for the Strategic Director and the senior management team identifying actions required to improve the control arrangements in place and progress made to address these issues including any further outcomes arising will be reported to this Committee.

2.2.c Performance Planning and Management

A review of the performance planning and management system has been undertaken. The review built on the previous recommendations and positive progress made in respect of performance management, and covered such risk areas as:

- Corporate guidance/procedures for: Business Planning (at corporate and directorate level); and Performance Management.
- Roles and responsibilities; and training for officers and members, particularly those directly involved in business planning and the performance management system.
- Defining and setting corporate and directorate priorities and associated measures and targets.
- The year-end assessment of the outcomes delivered through each of the Plans.
- Ensuring a comprehensive and effective performance management system is operating.

The review was used as an opportunity to trial a revised Internal Audit Report template. This includes a number of new features – principally a Review of Effectiveness section (to comment upon the effectiveness of the system in achieving its agreed objectives and providing value for money) and an Organisational Risk Opinion (which provides a view of the potential impact on the organisation if the recommendations are not implemented, and seeks to place the risks identified in a corporate context). A final version of the report, based upon the comments and feedback received as part of the pilot, will be

proposed and fully discussed with CESG and this Committee prior to its formal launch.

The organisational risk opinion provided for the audit was: Moderate - the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to moderate risk.

There were no recommendations of high priority made in the review. However, medium and low priority recommendations were made in relation to the following:

- the need to update the Business Planning Framework in advance of the 2015/16 planning cycle (low)
- updating the performance management documents and reports on the intranet and internet pages to include the most relevant and up to date reports, and the need to roll out training to all relevant officers on the principles of performance management and planning (medium)
- the need for more comprehensive dissemination of the corporate and directorate plans and the key messages and targets – in particular utilising the performance appraisal system (medium)
- provision of more information so as to strengthen challenge and scrutiny of performance indicators proposed for discontinuation from one year to the next (low)
- the production of a comprehensive and timely year-end report (medium).

The report was met with an extremely positive response, and plans are in place to address the recommendations, so as to continue the recent positive progress made in this area.

2.2.d Fraud Awareness Week

Internal Audit is coordinating a week long fraud awareness campaign commencing on the 17 November 2014. It is a collaboration between the Internal Audit Counter Fraud Team, The Housing Benefit Investigation Team, Trading Standards, Insurance & Risk, HR and Publicity and other local Authority's. The aim of the week is to heighten the awareness of staff to the problem and scale of fraud in the public sector, to direct all staff to complete the Anti-Fraud and Corruption e-learning course and to encourage staff to report any suspicions of fraud that they may have. The event is scheduled to coincide with the International Fraud Awareness week and has also involved various collaborative initiatives with a number of other Mersey region Authorities to promote the event and raise awareness of fraud risks.

2.2.e Information Governance (IG)

The NHS Information Governance Toolkit return has now been submitted and we are awaiting assessment by the Health and Social Care Information Centre. The toolkit records and measures the Council's progress against 28 Information Governance criteria. Local Authorities are required to be at Level

2 (of 3) and Wirral’s submission either confirms Level 2 compliance or contains an Action Plan to achieve that level. The evidence and actions were reviewed by Internal Audit prior to the submission being made.

The Toolkit has been the catalyst for improving and embedding Information Governance throughout the Authority. Policies and procedures have been written and approved; information assets have been identified and recorded; and Information management and Governance responsibilities have been assigned. However, there is the risk that, as the impetus of the IG Toolkit project fades away, the focus on good Information Governance will decrease. Completion of the IGT submission relied heavily on dedicated temporary resource. The newly introduced processes, procedures and responsibilities can only be effective and become well-established if there is a consistent, committed approach to IG and the recognition that senior management must take the lead in ensuring best practice is enforced. The Information Governance Board is currently taking the lead in this area and must continue to ensure that effective operational practice remains in place.

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.	40	38
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 (20)	100 (25)
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 Continuous Improvement

This 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 recently undertaken to evaluate the service against the new Public Sector Internal Audit Standards. A separate report on this was presented to the Committee at the previous meeting and an update is included at 2.5.b.

Some of the actions taken to date include

- The implementation of revised audit reporting arrangements incorporating opinions on systems, compliance and organisational impact; further developments are currently taking place in this area,
- 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.

2.5.b Public Sector Internal Auditing Standards (PSIAS) Developments

At the previous meeting of this Committee Members were presented with a report updating them on the outcome of the self assessment exercise undertaken to evaluate Internal Audits compliance with the new PSIAS standards and advising them of the work required to implement an external assessment process across the public sector. To update Members on progress since this meeting I include the following comments:

Detailed discussion took place at the recent North West Chief Audit Executives group where it was agreed that a 'task and finish' group would be set up to develop and formulate a system for undertaking the external quality assessments on a North West peer group basis as endorsed by the Chartered Institute of Internal Auditors and the Chartered Institute of Public Finance Accountants to ensure compliance with PSIAS. I will be a full member of this group actively contributing to the development and implementation of an effective system for the region within the 2018 timescale deadline. Regular updates on progress being made with this initiative will continue to be provided to this Committee.

I will also 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.