

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

27 JANUARY 2015

<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 2014. There are 4 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 November to 31 December 2014.

#### 2.2. Items of Note

##### 2.2.a Creditor Payments

Members should note that key recommendations agreed with management to address issues identified and improve systems of control during the NFI exercise have now been implemented, including appropriate action to recover a small number of duplicate creditor payments. The remaining recommendations are in the process of being implemented and will be the subject of a follow up review, scheduled for the end of this month. The findings from this review will be reported to you at the next meeting.

##### 2.2.b Commissioning

During the period Internal audit performed a special review of payments to a business and transformation consultant services provider. This request arose

as a result of concerns from the Chief Executive regarding the extension of the existing contract with this company, and the audit covered what was commissioned by Council officers, what was actually spent, and whether officers have followed the Council's relevant rules.

The overall conclusion of this work was that elements of the Council's Contract Procedure Rules were not complied with in the awarding of professional consultancy services work to this specific company (1 case relating to Leisure Transformation and 3 cases relating to DASS Business Planning). It was incorrectly believed a continuation of previously procured services from this company, through a national procurement framework for a separate programme of work, could be applied. While there is not any inference of impropriety on behalf of any Council officer, it is crucial the Council's rules are fully complied with to ensure legality, demonstrate transparency, and protect reputation.

A total of 11 recommendations were made, of which 4 have been actioned by corporate management, 6 are regarding procurement related aspects, e.g contract management, details on invoices, orders and contracts, which are being dealt with via guidance and training sessions through the Procurement Section. The final recommendation requires service management to report the identified breaches of the Contract Procedure Rules to the Audit and Risk Management Committee, as per CPR123 and a report on this is included elsewhere on the agenda for this Committee.

#### 2.2.c Schools Audits

Annually Internal Audit selects a number of Wirral schools for an audit of their financial and governance procedures. The schools are selected following a detailed risk assessment which considers criteria such as: Change of senior leadership; number of high priority recommendations at last audit; time since last audit; reported issues or request for an audit visit etc. The 2014-15 programme of schools audits has now been completed.

Audits consist of 12 themed areas of activity that include: Accountability, Bank Accounts, Budget & Treasury Management, Computers, Imprest, Income, Insurance, Internal Control, Personnel & Payroll, Purchasing, Security of Assets, Voluntary Funds; although, to ensure that audit resource is targeted at the higher risk areas, the majority of school audits focus on 3 or 4 of these themes. All recommendations are followed up by Internal Audit within 4 months of the Audit and the effect of actions taken to address issues evaluated and reported. All school audit reports are copied to the CYPD LMS team following the audit so that the findings can be used to drive continuous improvement across all schools including those not visited during the year.

#### 2.2.d ICT Business Continuity

Internal Audit has recently followed up the recommendations arising from the audit of ICT Business Continuity to determine whether the Council has documented its policy and approach to ICT business continuity planning, and has put in place appropriate arrangements for the management, governance

and reporting of its business continuity activities in the event of a loss of ICT services.

The findings were that there is a Health, Safety and Resilience programme of work underway to improve overall Business Continuity, including ICT continuity. As part of this programme CESH have agreed a list of critical activities and associated work programmes to ensure that these critical services have suitable plans and arrangements in place to deal with a disruption or catastrophic failure - including ICT loss.

Internal Audit will continue to monitor and evaluate work being undertaken in this area reporting any findings to this Committee as appropriate.

### 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 for the 2014/15 year to date 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 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.	65	63
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	100

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 update on this was presented to the Committee at the previous meeting and further updates will continue to be provided as progress is made.

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.

## **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)**

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