

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

22 SEPTEMBER 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> <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i>	<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<sup>st</sup> June to 31<sup>st</sup> August 2015. There are seven 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 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<sup>st</sup> June to 31<sup>st</sup> August 2015.

#### 2.2. Items of Note

##### 2.2.a Procurement of Commissioned Care

Following discussion at the previous meeting of this Committee regarding progress made by the department to address issues identified in the audit report. A follow up piece of work has now been undertaken by Internal Audit that identifies the following:

The original Internal Audit Report which was issued in October 2014 identified seven recommendations, two of which were assessed as being high priority.

During the follow up audit completed during August 2015 it was identified that significant progress has now been made with implementing the recommendations. The two high priority recommendations have been assessed as being fully implemented. Two other recommendations have also been assessed as implemented and the remaining three (1 x Medium Priority and 2 x Low Priority) have been assessed as partly implemented. The department has stated that it envisages full implementation will be achieved following the roll-out of further functions within the 'Liquidlogic' system which is scheduled for November 2015. The audit recommendations have increased the appreciation of the need for a robust flow of information between the department, Legal and Member Services and Corporate Procurement. Where applicable (i.e. for those recommendations that are more forward focussed), assurances have been provided to confirm that lessons have been learned that will benefit future procurement exercises for which the department is responsible.

#### 2.2.b ICT – Control and Governance

Following discussion at the previous meeting of this Committee a report has been prepared by the Chief Information Officer and will be presented to this Committee as a separate item on the agenda.

#### 2.2.c. Organisational Culture:

An audit was conducted of Organisational Culture, focusing on elements directed by Human Resources and Organisational Development. This relates directly to one of the Significant Governance Issues featured in the AGS 2014/15, and as such progress is monitored on a regular basis through the Corporate Governance Group.

The audit covered:

- Documentation, approval and dissemination of the organisation's vision and values,
- Extent of coverage of the performance appraisal process,
- Presence and dissemination of a training programme (highlighting mandatory training for all staff/members),
- Level of participation in the programme of mandatory training by staff/members, with action being taken in instances of non-compliance,
- Outcomes of training are being reviewed and the programme of training adjusted accordingly,
- Analysis of the results of the Staff Survey and appropriate action taken if/where necessary.

A number of recommendations were identified to significantly improve systems in operation that related to:

- Ensuring that the officers not already briefed on the organisational Vision, Values and behaviours receive formal notification of these, and that there is a continued commitment to embedding these,

- The need for the organisation to ensure commitment and compliance to Performance Appraisal and Development,
- The need for the organisation to have in place a clear, effective and efficient mandatory training programme that is delivering the expected benefits to staff and to the organisation,
- The need to report upon and address the Staff Survey Action Plan, and consider a future staff survey as part of an indicator of organisational culture.

Management has demonstrated a strong commitment to addressing the recommendations, with actions already in progress. Further Internal Audit work is to be completed in the forthcoming months so as to verify the progress made, and the regular reports to the Corporate Governance Group will ensure that the issue remains under close scrutiny.

#### 2.2.d Annual Governance Statement

A significant amount of work has been undertaken by the Internal Audit Service to support the production of the Annual Governance which is presented as a separate report to this Committee elsewhere on the agenda. This work has involved independent targeted reviews of compliance with the CIPFA/SOLACE guidance and also includes the provision of support to senior management in the assessment of significant governance issues. The Internal Audit service is also represented on the Corporate Governance Group and supports the work undertaken to ensure that the organisation has strong governance arrangements in place that comply with evolving professional best practice and operate effectively and for the benefit of the Council.

#### 2.2.e Public Sector Internal Audit Standards

To comply fully with the new Public Sector Internal Audit Standards 2014 (PSIAS) public sector internal audit providers are required to have in place an external quality assurance process. Members will be aware that I presented a report to Committee regarding this initiative in September 2014 and have subsequently provided regular updates on progress being made. I have personally been working very closely with relevant professional bodies and colleagues from across the North West Region to develop a process for the region that satisfies the exacting requirements of the standards. The position at the time of writing is that this has now been developed and endorsed by CIPFA and the CIIA and is currently being piloted across a number of Local Authorities from across the region prior to full implementation during 2016/17 to coincide with the 2018 PSIAS deadline. In addition, Wirral Internal Audit Services has developed a Quality Assurance and Improvement Programme to support this work and demonstrate compliance and this is presented to the Committee as a separate item on the agenda.

## 2.2.f Debtor Write Offs

At the previous meeting of this Committee Members requested clarification of the role of Internal Audit and this Committee in the debt write off systems in operation across the Council.

To clarify, Internal Audit are not directly involved in the actual write off process but on a periodic basis independently review actual systems in operation and undertake sample testing of a number of 'written off accounts' for accuracy, correctness and reasonableness. The outcomes from these individual audits are reported to senior management in the agreed fashion and ultimately reported to this Committee via the Bi-Monthly reports and where appropriate as 'Items of Note' in the Internal Update Report. The role of this Committee is not to approve accounts for write off but to seek assurances that appropriate control systems are in operation and functioning correctly.

Work undertaken to date as part of the Internal Audit Strategic Plan (2013-16) has focussed on the following:

- Evaluating the progress in the implementation of the recommendations detailed in the 'Independent Review of Sundry Debt' report by Eugene Sullivan, dated 15<sup>th</sup> March 2013 and the subsequent Department of Adult Social Services (DASS) Action List, presented to Cabinet in May 2013,
- Reviewing the effectiveness of resources available within the Personal Finance Unit, including the Collection & Recovery Team (CART),
- Targeted reviews and testing of individual debt management operations throughout the Authority,
- Evaluating the overall control environment of the Debtors Central System that included debt recovery and write off.

## 2.2.g Local Audit Accountability Act 2014

To comply with the requirements of this Act local public bodies are required to have in place an independent Auditor Panel to oversee the appointment and monitoring of external audit services by the 31 March 2017, the end of the current transitional period. A statement by the Secretary of State is scheduled for autumn of 2015 on this and early indications are that an extension to the current arrangements is likely to be announced as well as a national sector wide opt-in arrangement for the collective procurement of these services in the future. I will continue to monitor these developments and report any outcomes to this Committee.

The Council has previously considered proposals to strengthen the independent nature of the Audit and Risk Management Committee through the appointment of a majority of independent external members. Significant steps have also been taken by the organisation to improve its overall governance arrangements including many actions directly involving this Committee and its operation that have greatly improved its effectiveness and overall contribution to good governance across the Council.

Discussions with colleagues from across the North West Councils have identified that only two of the twenty six Councils represented currently utilise independent external members on their audit committees with varying degrees of success. It is not therefore considered necessary or appropriate at this moment in time to proceed with this action; however the operation of the Committee will continue to be monitored and evaluated annually against the CIPFA Code of Best Practice for Audit Committees and any Secretary of State direction or guidance and any necessary improvements implemented as required.

### 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 2015/16 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. A number of these relate to audits undertaken within ITS and are the subject of a separate report to this Committee by the Chief Information Officer outlining actions currently being taken to improve and develop existing arrangements.

### 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.	33	26
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)	90	100 (16)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	97

2.4.b There are currently no significant 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 a Continuous Internal Audit Improvement and Development Plan has been formulated that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include

- Implementation of new improved audit report template, including new organisation risk impact opinion,
- Development of Quality Assurance and Improvement Programme,
- Collaborative counter fraud exercises across Mersey region,
- Improving corporate counter fraud awareness across the Council,
- Developing and improving reporting arrangements for stakeholders,
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit,
- Implementation of actions arising from the new Public Sector Internal Audit Standards self-assessment exercise,
- Development of North West Region Quality Assurance Peer Review Process.

## **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 2015/16

## **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.