

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

24 NOVEMBER 2015

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|-------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| SUBJECT: | INTERNAL AUDIT UPDATE |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | CHIEF INTERNAL AUDITOR |
| KEY DECISION ? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO |

1.0 EXECUTIVE SUMMARY

1.1. This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st September to 31st October 2015. There are three 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 1st September to 31st October 2015.

2.2. Items of Note

2.2.a Care Act 2014

An audit has been conducted of the implementation of the Care Act 2014. The Act, together with a range of regulations and statutory guidance, replaces or repeals a number of pieces of legislation and guidance. The majority of the Act's changes took effect from April 2015. However, new powers to establish an appeal mechanism do not come into operation until April 2016 and reforms to the way social care is funded, including the care cap and care account, have been delayed until 2020.

The audit focussed on the implementation progress being made by the Department in the following areas:

- Providing advice and guidance to adults and carers
- Providing an assessment of need and a documented Care and Support Plan
- Providing a financial assessment
- Application of nationally agreed eligibility criteria
- Assessment of Carers' needs and provision of a documented support plan
- Powers to charge for assessments and services
- Preparation towards the Care Cap and Care Accounts (delayed until 2020).

The overall opinion for the audit was that there is a **moderate** organisational risk to the Council presented by the risks identified in the review.

There is a significant amount of work ongoing and it is important that the provisions that came into force in April 2015 are implemented as quickly as possible. For this reason, formal recommendations were not included for those areas that are clearly under development, but a number of "Areas for Further Work" were highlighted. These related to areas including:

- The review of policies and procedures to ensure that these are compatible with the Care Act, and the approval of these by Cabinet.
- Continued work to ensure that up to date information and advice is available to the public.
- Implementation and uptake of training.
- Charging.
- Care and Support Plans reflecting the support provided to individuals by the community.
- Risk management – particularly linkages between the risk register considered by the Care Act Governance Board and the Departmental Risk Register.
- The arrangements for the defrayal of the grant funding given for the implementation of the Act, including those relating to the element for the implementation of the Care Cap, given that this has been deferred until 2020.

There were two recommendations, both of medium priority, also made in the review. These related to quality assurance stages within Liquid logic, and the process for supporting carers.

The Department has responded very positively to the work and the implementation of Care Act reforms continues.

2.2.b Sport and Recreation(Leisure Centres)

An audit was undertaken at the request of the Sports and Recreation management to evaluate the efficiency and effectiveness of income procedures and controls in operation at the Council's Leisure Centres. The overall opinion for the review was that there was a **major** organisational risk presented by the risks identified in the review and five high priority

recommendations to improve existing operations and enhance control in the following areas included in the audit report:

- Fees and Charges;
- Income reconciliation and banking;
- Ivigor8 membership;
- Vending machine income;
- The conditions of hire for Leisure Centres.

All of the recommendations have been fully agreed and accepted by Sports and Recreation management and there has also been input from the Strategic Director supporting the need for the implementation of these actions. Work is currently underway to implement these and a follow up audit scheduled for next quarter should allow for an evaluation of the effectiveness of actions taken, the outcome of which will be reported to Members of this Committee in due course.

2.2.c. Foster Care Services:

An audit was undertaken to determine whether the controls within the risk areas for the Fostering Service are robust and provide reasonable assurance that the associated financial transactions are valid and accurate, focussing on:

- Payments made to approved Foster Carers;
- Sharing of information between all parties.

The conclusion drawn from the work carried out is that, whilst documented procedures are in place for foster care placements and payments for the care provided, testing identified that improvements were required in controls over the following:

- Evidencing actions taken on the Liquidlogic system;
- Information sharing and systems access.

The overall opinion for the audit was that there is a **moderate** organisational risk to the Council presented by the risks identified in the review. Two high priority recommendations were agreed with senior management who have acted swiftly to address the issues and are currently liaising with IT regarding technological solutions. Further audit follow up work is scheduled for later in the year and the outcome of this will be notified to senior management and Members of this Committee 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 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 were the subject of a separate report to this Committee in September 2015 by the Chief Information Officer outlining actions being taken to improve and develop existing arrangements and providing Members with necessary assurances that appropriate actions were being taken by officers to address risks in these areas.

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. | 45 | 39 |
| 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 | 99 (15) |
| 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;

- Implementation of a new Quality Assurance and Improvement Programme (approved by ARMC – September 2015);
- Collaborative counter fraud exercises across Mersey region;
- Regional Counter Fraud Publicity Campaign (16th November 2015);
- 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 (Pilot Reviews scheduled for December 2015).

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)

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