

# WIRRAL COUNCIL

## AUDIT AND RISK MANAGEMENT COMMITTEE

15 MARCH 2016

<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>

### REPORT SUMMARY

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 21<sup>st</sup> January to 20<sup>th</sup> February 2016. For this very short reporting period there are only two 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 3.2.

### RECOMMENDATION

Members note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options considered.

### **3.0 BACKGROUND AND AUDIT OUTPUT**

- 3.1. 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 21<sup>st</sup> January to 20<sup>th</sup> February 2016.

#### **3.2. Items of Note**

##### **3.2.a Performance Management and Planning**

An audit has been conducted of the corporate Performance Management and Planning 2015/16 system. Over recent years the structure, personnel and reporting lines of the Performance Management team has changed on a number of occasions. Further changes were made during 2015/16 with responsibility for corporate business planning and performance management officially transferring on 1 June 2015 to the new Policy, Performance and Scrutiny team. Hence the new team inherited the procedures and arrangements that have been in place during 2015/16. It should also be noted that during the year a major focus for the new team has been helping to develop the performance management framework for the "Wirral Plan: a 2020 vision".

The objective of the audit was to provide assurance that there is an effective performance management and planning system in operation across the

Council. This included reviewing the risks relating to: 2014/15 close-down, year-end reporting, and lessons learned; 2015/16 planning, target setting, monitoring and reporting, dissemination of information through the Council intranet/website; and implementation of the recommendations included in the previous Internal Audit Report of October 2014.

The overall opinion for the audit was that there is a moderate risk presented to the Council by the risks identified in the review. The audit resulted in five recommendations, one of high priority and four of medium priority. The high priority recommendation related to the need for performance management data/information to be robust, so as to provide a sound foundation for decision making and the successful delivery of aims and objectives. The medium priority recommendations related to: the existence and dissemination of robust performance management guidance/procedures; transparency on the setting of tolerances relating to performance indicators; target-setting for performance indicators; and selection of appropriate indicators for measuring performance.

There has been a very positive response to the audit, with a detailed Action Plan having been completed detailing the actions underway to address the areas identified, this being encapsulated within the arrangements being put in place for 2016/17.

#### 3.2.b. Floral Pavilion

During the period Internal Audit were requested by senior management to appraise the existing income and stock management control systems in operation at the Floral Pavilion. Work is currently ongoing, however a number of potential issues have emerged regarding access to specific till operations, bar supervision and reviews of bar takings. Upon conclusion of the work a detailed report will be produced for management that will include recommendations that will enhance the control environment concerning bars and stock controls. The outcome of this work will as usual be included in routine update reports to members of this Committee and include identification of actions taken to address issues identified.

### 3.3 Outstanding Audit Recommendations

3.3.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.

3.3.b Where items are addressed by officers those entries will be removed from the report on a rolling basis.

3.3.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.

### 3.4 Internal Audit Performance Indicators

3.4.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 2015/16.	85	84
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service. (Number of forms returned for the period indicated in brackets)	90	100 (8)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	99

3.4.b There are currently no significant issues arising.

### 3.5 Internal Audit Developments

3.5.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 a new Quality Assurance and Improvement Programme (approved by ARMC – September 2015);
- Development and implementation of a more streamlined and dynamic planning process for 2016/17 to allow for the ongoing in-year inclusion of emerging organisational change risks ;
- Collaborative counter fraud exercises across Mersey region;
- Successful regional Counter Fraud Publicity Campaign (16<sup>th</sup> 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 (PSIAS) self-assessment exercise;
- Completion of the first pilot PSIAS quality assurance peer review at Blackburn with Darwin Council by Wirral's Chief Internal Auditor;
- Development of an audit process for providing services to trading companies and similar organisations.

#### **4.0 FINANCIAL**

4.1 There are none arising from this report.

#### **5.0 LEGAL IMPLICATIONS**

5.1 There are none arising from this report.

#### **6.0 RESOURCE IMPLICATIONS**

6.1 There is none arising from this report.

#### **7.0 RELEVANT RISKS**

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

7.2 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.

#### **8.0 ENGAGEMENT/CONSULTATION**

8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

#### **9.0 EQUALITY IMPLICATIONS**

9.1 There are none arising from this report.

**REPORT AUTHOR:** Mark P Niblock  
 Chief Internal Auditor  
 telephone: 0151 666 3432  
 email: markniblock@wirral.gov.uk

#### **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.