



**Audit and Risk Management Committee**  
**Monday, 30 January 2017**

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</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 1<sup>st</sup> November to 31<sup>st</sup> December 2016. There are 2 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 1<sup>st</sup> November to 31<sup>st</sup> December 2016.

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

##### **3.2.a Resourcelink System**

Following discussion at the previous meeting of this Committee regarding audits undertaken during 2016 of the Resourcelink system and those agreed actions including some of an information governance nature, which remained outstanding. Further work has now been completed by Internal Audit to identify progress made by officers and it is pleasing to report that all of the outstanding actions have now been implemented. Internal Audit has further work scheduled in this area during 2017/18 to verify and assess the effectiveness of the new arrangements and their impact upon the control environment and the outcome of this work will be reported to Members in due course.

### 3.2.b Business Rates – Valuations

Business rates are collected by local authorities from those who occupy non-domestic properties. The value of the Non-Domestic Rates (NDR) liability is based on the rateable value of the commercial property, as determined by the Valuation Office Agency, which broadly represents the yearly rent the property could have been let for on the open market on a particular date. The Authority maintains a Ratings List for the collection of business rates due. An audit has been undertaken with the objective to determine whether the controls within the NDR Valuations system provide reasonable assurance that operating data is accurate and reliable and focused on the following risk areas:

- Policies & Regulations
- New & Amended Properties
- Notification to the Valuation Office
- Valuation Office Listing
- Reconciliations & Monitoring
- Security of Data

The work concluded with a number of recommendations to management to improve the control environment although the audit findings did not present a significant risk to the organisation. The recommendations included: a review of current service provision and resources; enhancing the use of available technology for service delivery; improvements to the current internal reporting practices; and a review of the use of completion notices. All recommendations were agreed and are currently being implemented. Follow up work is scheduled for later in the year to assess progress made and evaluate the effectiveness of actions taken. The outcome of this work will be reported to Members in due course.

### 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 2015/16 and the current year to date have not been fully implemented within agreed timescales and yet still present a serious risk. Following discussion at the previous meeting of this Committee in November 2016 some further changes have been made to the format of this report to reflect a request made by Members.

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

3.3.c All of the reports identifying outstanding actions are currently BRAG 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 being taken and providing Members with necessary assurances that risks in these areas are being managed effectively.

### 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 2016/17.	65	60
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.	90	100
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 although it should be noted that achievement of the audit plan is slightly behind schedule for this time of year. This is primarily due to a number of vacant posts experienced within the section during the year. Two appointments have recently been made to address the problem and it is envisaged that impact on delivery of the plan will be minimal at the year end.

### 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:

- Ongoing development of the Quality Assurance and Improvement Programme (approved by ARMC – September 2015) in line with the Public Sector Internal Auditing Standards;
- Ongoing development and implementation of a more streamlined and dynamic AGS working to allow for further changes made to the CIPFA/SOLACE best practice guidance;

- Ongoing improvement of corporate counter fraud awareness across the Council;
- Further developments in reporting arrangements for stakeholders;
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit to include joint fraud exercises and training;
- Continuing development of the use of computer assisted auditing techniques in the evaluation and testing of system controls for more effective and efficient auditing;
- Ongoing development and implementation of a new automated planning and management system for the service;
- Ongoing implementation of paperless working environment
- Implementation of more streamlined planning process for 2017/18.

#### **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.

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#### **APPENDICES**

Appendix 1: Audit Recommendations Status Report

**REFERENCE MATERIAL**

Internal Audit Plan 2016/17

**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.