



**AUDIT AND RISK MANAGEMENT COMMITTEE  
12 JUNE 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> March to 31<sup>st</sup> May 2017. There are four 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> March to 31<sup>st</sup> May 2017.

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

##### **3.2.a Attendance Management**

An audit review of Attendance Management (Sickness Absence) was undertaken during the period evaluating compliance with corporate policy and procedure across the organisation. The audit opinion identified that there remains a major organisational risk, with a number of significant issues being identified from a sample of three operational areas across the Council. In a number of sickness cases entered into the Selfserve system and examined by Internal Audit, individual managers had not been taking actions in accordance with current policy requirements when trigger points had been reached. The Action Plan from the audit report identifying areas for improvement has been completed and the actions reported to, and agreed by, the Strategic Leadership Team with agreed timescales.

Internal Audit will follow up this Action Plan later in the calendar year and report the outcome to this Committee, although it must be emphasised that the responsibility to effectively manage attendance is with all levels of managers rather than expecting HR to identify issues and regularly monitor, or Internal Audit to provide ongoing compliance work on the system. Members will note that this issue remains a significant governance issue and is included in the Annual Governance Statement.

### 3.2.b Personal Finance Unit (PFU)

An audit has been conducted of PFU with the objective to determine whether the controls over the developments within the Unit provide reasonable assurance that effective operations are maintained. The audit focussed on:

- The continuing effectiveness of the recommendations implemented following the independent review of sundry debt previously reported;
- The issues identified from the work completed by Internal Audit in March 2016.
- Any other emerging risks and issues.

It is our opinion that PFU have considered the findings identified from the independent review and in our subsequent audit reports and has made good progress in implementing effective actions. There is a commitment to retaining sufficient resources and to a long term strategy in order to improve both income collection and debt recovery. However the delay in embedding the service level agreement between PFU, Adults and Legal Services at a practical level remains a barrier to the performance of some PFU operations and until it is fully implemented we consider there is a Moderate risk to the organisation. The audit concluded with an agreed action plan to address all the issues identified from this review and follow-up work has been scheduled within the Audit Plan for 2017/18.

### 3.2.c General Data Protection Regulations

The General Data Protection Regulation (GDPR) will be replacing the current EU Data Protection Directive 95/46/EC following agreement of the new framework by the European Commission, the Parliament and the Council. The Regulation will apply to all EU Member States and is expected to come into force in May 2018. The GDPR brings harmonisation by applying the same set of Data Protection rules across the EU.

As the GDPR introduces a number of obligations, it is important for all organisations to be aware of the new requirements and be prepared for when it comes into force. The potential fines for infringement are substantial, up to 4% of annual global turnover or €20 million

The ICO have developed guidance including a checklist and a '*12 Steps to Take Now*' document that the Authority should utilise. Internal Audit are scheduled to undertake a review a review of progress by the Council towards compliance in Qtr3 and in the meantime have recommended that failure to

comply with GDPR be included on the Corporate Risk Register to ensure it is mitigated in a timely manner.

### 3.2.d ICT/Digital Outstanding Actions

Members will recall that a number of outstanding actions arising from audit reports in this area of operations have been reported to this Committee previously and that the former Head of Digital presented a report to this Committee in March 2017 identifying progress being made towards the implementation of these actions to improve the overall control environment.

Since this report Internal Audit has been working with the Acting Head of Digital and the Senior Information Reporting Officer (SIRO) to assist them in this task. It is pleasing to note that at this moment in time good progress is being made and a separate report by the Acting Head of Digital and the SIRO detailing this is being presented to Members of this Committee elsewhere on tonight's agenda.

### 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 2016/17 and the current year to date have not been fully implemented within agreed timescales and yet still present a serious risk.

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

### 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 2017/18.	20	19
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	99
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	100

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:

- 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 IMPLICATIONS

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 are 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 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 2017/18

## **SUBJECT HISTORY (last 3 years)**

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