



Audit and Risk Management Committee
Monday, 25 September 2017

REPORT TITLE:	INTERNAL AUDIT UPDATE
REPORT OF:	CHIEF INTERNAL AUDITOR

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 1st June to 31st August 2017. 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 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 1st June to 31st August 2017.

3.2. Items of Note

3.2.a Benefits – Discretionary Housing Payments

An audit has been conducted as part of the Internal Audit Plan for 2017/18 to review the progress made by the HB Service in implementing the recommendations made in the audit report into Discretionary Housing Payments and previously reported to this Committee during 2016/17. The objective of the audit was to review the 11 recommendations made within the DHP reports and assess whether they have been effectively implemented into the system by the examination of appropriate evidence. The draft report is currently with Senior Managers awaiting final approval, but the audit identified that significant progress has been made to date to improve the internal control environment for the DHP processes and the overall opinion for the system in respect to the 'Organisational Risk' is now minor.

3.2.b Payroll – Teachers’ Pension Payments

The external audit by Grant Thornton has identified an issue in respect to the payment of enhancements under the Teachers’ Pension Scheme (TPS) to former teachers who have now retired.

In response to this external audit finding, Internal Audit have undertaken a review that included an examination of 6 transactions from the Teachers Pensioners payroll. By referral to the records available to Human Resource and the Registrars we were able to obtain information to confirm that:

- All were employees at a Wirral School.
- All were members of the TPS.
- All were eligible to receive an enhancement from WMBC to their TPS pension.
- In each case there is a calculation of the payment due as an enhancement to the TPS.
- No death certificates have been issued in respect to the relevant retired teachers.

Audit recommendations are currently being formulated to implement an effective control environment for the system of payments on the Teachers Pensioners payroll and they will be presented to the Director of Finance for approval. These will include liaison with the TPS over the potential for data matching together with actions to enhance: overall management and responsibility; policy and procedures; supporting documentation; and continuous validity testing.

3.2.c ARMC Member Training

Following discussion at previous meetings of this Committee regarding the organisation and delivery of a repeat of a specific targeted training session for Members on the ‘Role and Responsibility of an Effective Audit Committee’ arrangements have been made with the external CIPFA trainer previously responsible for this and a provisional date of the 22 November 2017 between 13.00hrs and 16.00hrs agreed for delivery. All Members of this Committee who have not yet attended this training are requested to confirm attendance and where they are unavailable for whatever reason to please ensure that a suitable deputy is nominated.

3.3 Outstanding Audit Recommendations

3.3.a Attached at Appendix 1 is a ‘tracker’ 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.	35	32
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	98

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;

- Continuing development of automated working papers to evidence and support audit findings;
- Further development of the Mersey Region Counter Fraud group led by Wirral Internal Audit to include joint fraud exercises and training across the local region and the North West of England;
- 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 implementation of paperless working environment;
- Implementation of more streamlined planning process for 2017/18;
- Development and implementation of a revised Internal Audit Manual that complies with current best practice as identified in Public Sector Internal Audit Standards.

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 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 2017/18

SUBJECT HISTORY (last 3 years)

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