



Audit and Risk Management Committee
Monday, 29 January 2018

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 November to 31st December 2017. There are seven 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 November to 31st December 2017.

3.2. Items of Note

3.2.a Children's – Carer Payments

Discussions have taken place with relevant Senior Managers from the Children's directorate during the period to evaluate progress being made to address some control issues previously reported to this Committee regarding Carer Payments and the resulting generation of an overpayment.

Unfortunately, in our opinion sufficient progress has not yet been taken to improve the control environment and prevent any future recurrence of issues of this nature. A number of actions agreed with senior management at the time of the audit remain unaddressed and the control weakness identified remain in place. This issue has been raised with the relevant senior manager and actions agreed to be taken, further updates on this issue will continue to be provided to this Committee.

3.2.b Contract Extensions – Compliance with Procurement Rules

Internal Audit were requested by Members at the November ARMC to undertake some detailed audit work to substantiate compliance with corporate policy and procedure in respect of two Public Health contracts for £6.7 and £7.2 million identified in a report to the Committee from the Head of Procurement.

It was established that in both of these cases one year extensions to the existing contacts had been approved by senior management and it was confirmed that at this stage correct authorisations and operational processes had been applied in obtaining these extensions in compliance with the corporate Contract Procedure Rules. Audit work will continue over this month with relevant officers to ensure that the contract management procedures that led to the request for the extension and that are currently ongoing are correct and include key control elements such as monitoring of performance of the contractor, delivery against specification, payments aspects, user satisfaction evaluation etc.

Any issues arising from this continuing work will be reported to this Committee as appropriate.

3.2.c Access Transformation Project

An audit is currently being undertaken to review the risk and governance arrangements for the Access Wirral Transformation Project. The report is currently being finalised and will highlight lessons learned that can be applied to future Transformation projects. More details on this will be provided to Members at a future meeting of this Committee.

3.2.d Quality Assurance Improvement Programme

Members will recall that the Internal Audit Service has previously developed and reported a Quality Assurance Improvement Programme for the service to ensure that it continues to perform its work in accordance with its Charter and the Public Sector Internal Auditing Standards.

A self-assessment exercise has recently been undertaken to ensure that the service continues to comply with all aspects of the programme. It is pleasing to report that the service remains fully compliant with the programme and the detailed results are attached to this report at Appendix 2.

3.2.e Floral Pavilion

A comprehensive audit review of the Floral Pavilion took place in November, involving two audit staff being at the theatre for two days conducting a range of tests including events, cash handling, income maximisation and controls, and stock holdings. A number of recommendations to improve arrangements

in operation were identified in the report and action plan and agreed with the Venue Manager, including timescales for implementation. These included four high level recommendations concerning documenting procedures, declarations of interests, building access security and cash transportation controls.

Audit will follow up these agreed recommendations and report the outcome of this exercise to Members of this Committee as appropriate.

3.2.f Ethical Framework

An audit review has been conducted of the Council's Ethical Framework.

The objective of the audit was to undertake an initial review of the key arrangements the Council has in place in respect of its Ethical Framework. The review has built on audit work undertaken in relation to the review of the Council's Annual Governance Statement, and in particular focussed on a baseline review of the arrangements that the Council has in place that underpin the 'Behaving with integrity' and the 'Demonstrating strong commitment to ethical values' elements of the Council's Code of Corporate Governance.

The outcome of the audit identified that whilst the Council has reasonable policies, processes and procedures in place some improvements are required to the current arrangements to ensure that systems are effective and compliant with current best practice. It is acknowledged that a number of actions are currently underway to make the improvements in some areas and an action plan has been agreed with senior management that incorporates all of these actions and includes additional items to improve the overall effectiveness of the framework.

Follow up work will be conducted to evaluate progress against this action plan and Members of this Committee notified in due course.

3.2.g Merseyside Pension Fund - Governance

A routine audit has been conducted to review the effectiveness of the governance arrangements of the Merseyside Pension Fund (MPF). The audit objective was to provide management and stakeholders with reasonable assurance that governance principles, behaviours and actions at MPF reflect compliance with recognised good practice identified in the CIPFA/SOLACE Delivering Good Governance Framework and Department for Communities and Local Government (DCLG) Guidance.

The review identified systems and processes that consistently demonstrate effective compliance with the principles of good governance and fully complies with the relevant best practice guidelines on governance and a positive opinion was provided in the audit report.

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 the current year to date have not been 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 The only current audit report identifying outstanding actions is 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.	63	61
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.

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 the revised Internal Audit Methodology and Delivery Manual to fully comply with the new requirements of the Public Sector Internal Audit Standards and related best practice guidance;
- Ongoing improvement of corporate counter fraud awareness across the Council as evidenced in Counter Fraud Update report presented to this Committee;
- Continuing development of more automated working papers and reports to evidence and support audit findings;
- Continued ongoing development of the Mersey Region Counter Fraud group led by Wirral Internal Audit to include more joint fraud exercises and training across the local region and the North West of England;
- Completion of self-assessment against QAIP;
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning process;
- Ongoing improvements to the audit reporting format;
- Ongoing improvements to the audit planning process for 2018/19.

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
Appendix 2: QAIP Self-Assessment Outcomes

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.