



Audit and Risk Management Committee
Monday, 12 March 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 January to 28 February 2018. 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 January to 28th February 2018.

3.2. Items of Note

3.2.a Human Resources – HMRC IR35 (Deemed Employment) Scheme

An audit has been conducted of the Human Resources / Payroll system in respect to the IR35 (Deemed Employment) scheme. The IR35 scheme was introduced into the public sector from April 2017 ensuring that contractors working on public sector contracts are no longer responsible for determining their own IR35 status. Instead, the public sector engager is required to determine the IR35 status of a particular contract. Under the IR35 scheme, if the contract is assessed to be inside IR35, the entity which pays the contractor's company (either Wirral Council or a recruitment agency) become responsible for deducting the resulting taxes directly from payments made to the contractor and reporting those deductions to HMRC. The changes affect

any payments made on or after 6 April 2017, regardless of when the work was undertaken. If an engagement falls within IR35 then the payment must be subjected to PAYE and NI deductions.

The scope of the audit was to determine whether the controls over 'off-payroll' engagements are adequate and effective and provide reasonable assurance of compliance with HMRC IR35 regulations by reviewing the Governance (Roles & Responsibilities); Policies & Procedures; and Implementation of IR35 changes. It was pleasing to note that controls are firmly in place to ensure that the correct status is ascertained for each employment type and for each contractor within the Council ensuring deductions are made, and paid over, in the correct way in accordance with HMRC IR35 regulations.

3.2.b Key Corporate Contracts

An assurance review audit was completed during the period on the final tendering process that has led to the determination of the final partner for the Wirral Growth Company. The audit was able to confirm that the Council had complied with all relevant legal requirements as well as its own Contract Procedure Rules, furthermore calculations performed within the evaluation were found to be accurate, and a robust control environment was found to be in existence.

3.2.c General Data Protection Regulations (GDPR)

An audit of the Councils compliance with the requirements of the new GDPR was completed during the period. The aim was to evaluate progress being made by the Council to ensure that the deadline of the 25th May 2018 for full compliance would be achieved. The review focused on implementation of the 'Twelve Steps Framework' recommended by the Information Commissioner's Office and evaluated progress in these areas, providing an assessment and identifying any required actions for management. The findings from the work undertaken indicates that whilst the 'steps' have not yet been implemented, good progress is being made at this moment in time with comprehensive plans in place for delivery and implementation. Governance arrangements could be further strengthened by appointing a permanent Chair and ensuring representation from across the Authority and these issues are identified in the report for management. It is planned to undertake a further review prior to the deadline and the findings reported to Members.

3.3 Outstanding Audit Recommendations

3.3.a Members will be aware that Internal Audit have developed a 'tracker' table that identifies information relating to those audits where recommended actions included in audit reports for the current year to date have not been fully implemented within agreed timescales and yet still present a serious risk. This table is appended to this update report when there are items outstanding that may require action by Members. For this particular period there are no current outstanding actions although it should be noted that a significant number of follow up audits are currently in progress and may impact upon this for future reports.

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 & (No Returned)
Percentage delivery of Internal Audit Plan 2017/18.	80	76
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. (12 Client Survey Forms requested for the period)	90	100 (12)
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:

- 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;
- Development and implementation of a comprehensive Business Continuity Plan for the service;
- 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/template;
- 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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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.