

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2008

REPORT OF THE DIRECTOR OF FINANCE

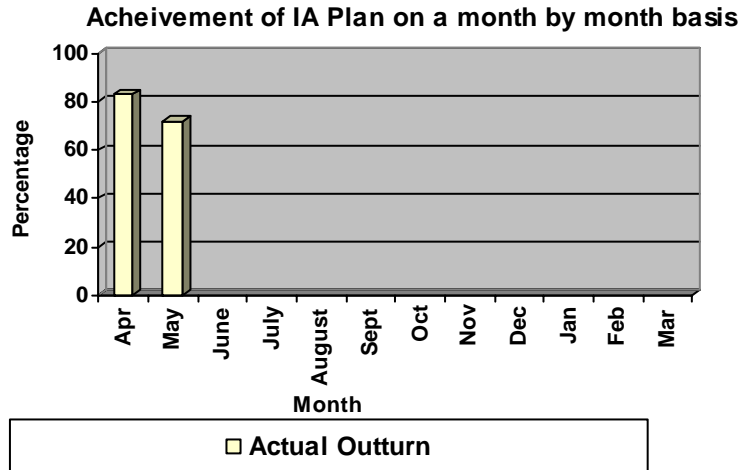
INTERNAL AUDIT WORK: APRIL TO MAY 2008

1. EXECUTIVE SUMMARY

- 1.1. In order to assist in effective corporate governance and to fulfil statutory requirements, the Internal Audit Section of the Finance Department reviews management and service delivery arrangements within the Council as well as financial control systems. Work areas are selected for review on the basis of risks identified on the Corporate Risk Register and as assessed by Internal Audit in consultation with Chief Officers and Managers.
- 1.2. This report identifies and evaluates the performance of the Internal Audit Section and includes details of the actual work undertaken over the period and the number of 'High' risk recommendations identified in reports.

2. INTERNAL AUDIT – PERFORMANCE

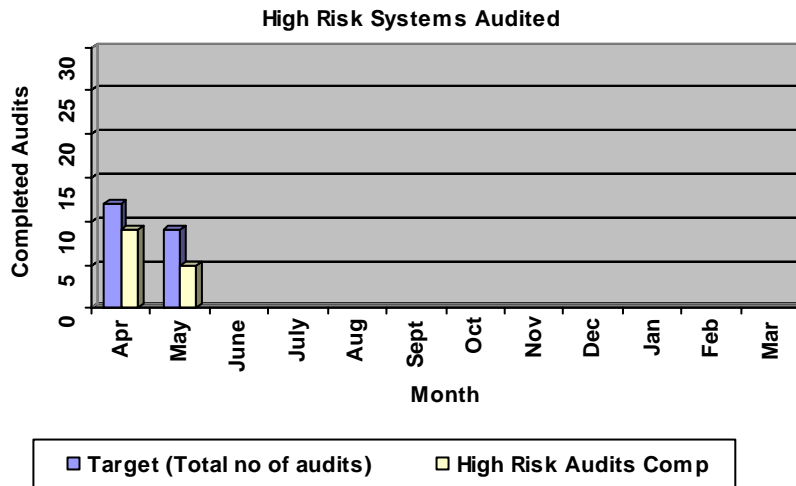
- 2.1. This report summarises the audit work completed between 1 April 2008 and 31 May 2008. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 21 audit reports were produced during this period. 12 high and 12 medium priority recommendations were identified in the reports issued. Management has agreed to implement all of the recommendations made within a satisfactory timescale. Those reports identifying high priority recommendations are analysed in more detail in section 3 of this report.
- 2.2. Internal Audit constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas as identified for the period 1 April 2008 to 31 May 2008:
 - 2.2.1. To ensure that 90% of the Internal Audit plan is completed by the 31 March 2009.



- a. This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the audit plan. For the first two months of the year achievement has averaged around 80% against a target of 90%. This shortfall is primarily as a result of staffing resource problems being experienced and professional examinations being prepared for by a significant number of staff during the month of May. However, whilst this is an important measure, it is of more relevance for the Council to ensure that the major risks to the Authority are reviewed.
- b. The Internal Audit Plan comprises a substantial number of audits designed to review the risks to Council systems. These audits are weighted according to the significance of the risk posed and ranked as either high, medium or low priority. It is essential that all of the high risk audits are completed during the audit plan year.

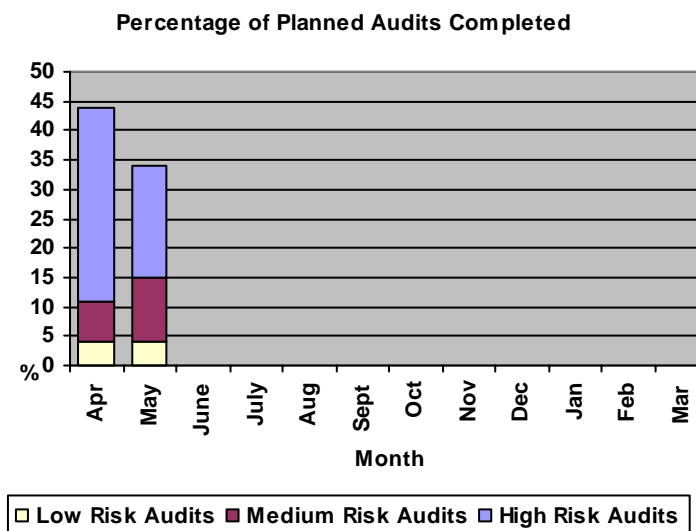
2.2.2. High Risk systems audited as a percentage of total audits completed.

- a. To ensure that all of the key risks identified in the Internal Audit Plan are reviewed, I monitor the number of high risk audits undertaken as a percentage of all audits and have prioritised the delivery of these audits and focused on these during the year. This is analysed in more detail in the chart below.



- b. The chart clearly identifies that the number of high risk audits undertaken is a significant proportion of the total number of audits completed each month, reflecting the deliberate policy of the Internal Audit Section. Of the 89 high risk audits identified in the audit plan 13% of these have been completed to date, a more than acceptable figure for this early stage of the year.
- c. As a result of this, any further shortfall in delivery of the audit plan in the later part of the year should not therefore impact significantly upon the completion of these high priority audits.

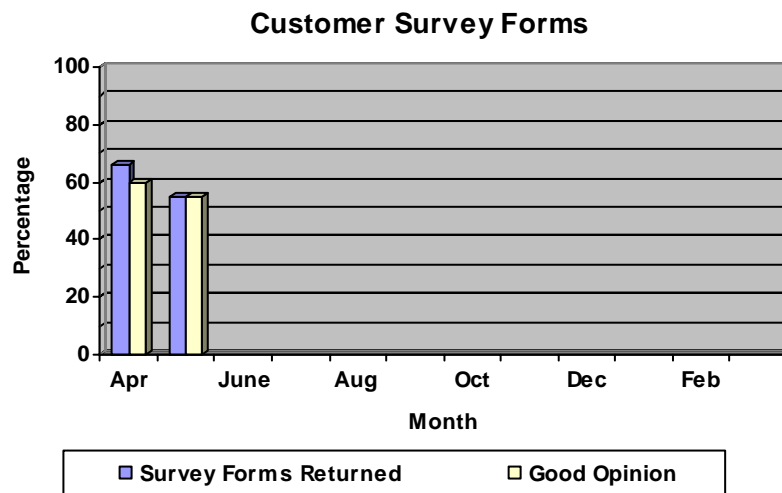
2.2.3. Planned audits completed.



- a. I measure the estimated number of planned audit reports which will be completed each month. It is expected that 327 audit reports will be issued this year. To date 21 reports have been produced.

- b. The performance is directly related to the staffing issues which the Section has been experiencing and the short term loss of a significant number of staff who were preparing for professional examinations during the period. If the staff resource problems are resolved in the near future then it is anticipated that the Audit Plan will be delivered in full during the year. However, if these problems persist and if resources remain as at present then it is likely that some re-prioritisation of the plan will be necessary and Members will be advised accordingly.

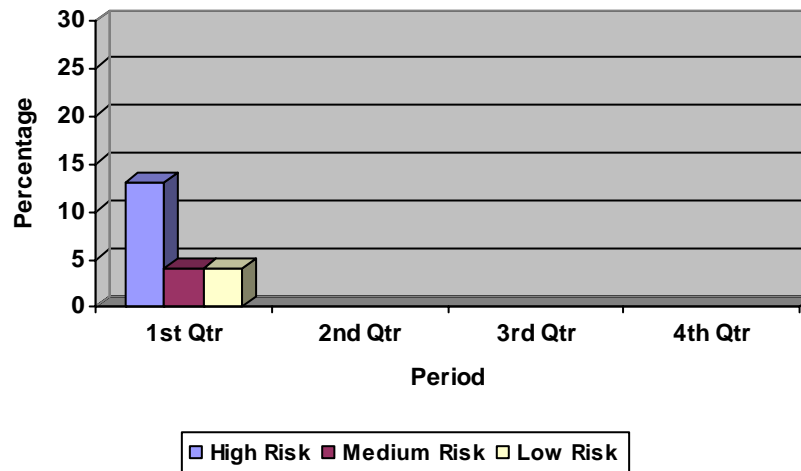
2.2.4. Percentage of Customer Satisfaction Forms returned indicating a 'good' opinion of the service.



- a. Customer survey forms are completed by the clients following the completion of an audit and pose a number of questions relating to the audit, its findings and the conduct of the auditor. The chart identifies the percentage of those forms returned that indicate a positive opinion of the service. This clearly indicates that the Internal Audit Section is viewed very positively by its clients and is regarded as adding value to the systems that it audits. Where feedback from clients identifies issues appropriate measures have been taken by management to address these and prevent any re-occurrence.

2.2.5. The percentage of audits completed by risk category.

Audits Completed by Risk Category



- a. This chart also clearly reflects the deliberate policy of the Internal Audit Section to ensure that all high risk audits are completed during the year as it is essential to the well being of the Council that any risks in these areas are addressed. Although it is early in the year it is anticipated that with existing resources all of the high risk audits and a significant proportion of the medium risk will be completed. Any audits that it is proposed not to undertake during the year will be discussed with management and carried forward to next years Audit Plan and the risk to the effectiveness of Council systems re-assessed as part of this process.

2.2.6. Follow up Audits

- a. To comply with current best practice and Audit Commission recommendations, follow-up audits are undertaken for all completed audits up to six months after the completion date, to confirm the implementation of agreed recommendations. All of the required follow up audits relating to work undertaken in 2007/08 have either been completed or are scheduled to be undertaken this quarter. No outstanding issues have been identified that require the attention of the Audit and Risk Management Committee at this time.

3. INTERNAL AUDIT PLAN - PROGRESS OF WORK

- 3.1 The following table identifies audits undertaken over the period which include recommendations of a high priority nature. All the audits were of systems categorised as 'High Risk' except those identified with an asterix.

Audit	Total Recs Agreed	Recs Not Agreed
* Controlled Stationary	4	-
FMSIS Review - Elleray Park School	1	-
Special Education Reserve Budget - Review	1	-
Annual Governance Review – Assurance Testing	3	-
Tendering – Software Desktop Management	2	-
* Garden Waste Recycling	1	-
Wirral Methodist Housing Association – Rents	2	-
Grange Road West Sports Centre	5	-
FMSIS Review - Overchurch Infants School	1	-
* Capital Investment Programme	2	-
Network Controls	4	-
FMSIS Review – Riverside Primary School	1	-
FMSIS Review – Brookdale Primary School	1	-

- 3.2 All of the action plans in respect of the audits identified have been returned fully completed and identify appropriate timescales for the implementation of agreed recommendations. Follow up audits will be completed over the next six months and this Committee will be advised of the findings.

4. **FINANCIAL AND STAFFING IMPLICATIONS**

- 4.1. There are none arising from this report.

5. **LOCAL MEMBER SUPPORT IMPLICATIONS**

- 5.1. There are no local Member support implications.

6. **LOCAL AGENDA 21 STATEMENT**

- 6.1. There are no local agenda 21 implications.

7. **PLANNING IMPLICATIONS**

- 7.1. There are no planning implications.

8. EQUAL OPPORTUNITIES IMPLICATIONS

8.1. There are no equal opportunities implications.

9. COMMUNITY SAFETY IMPLICATIONS

9.1. There are no community safety implications.

10. HUMAN RIGHTS IMPLICATIONS

10.1. There are no human rights implications.

11. BACKGROUND PAPERS

11.1. Internal Audit Annual Plan 2008/09.

11.2. Audit Reports.

12. RECOMMENDATION

12.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

APPENDIX I

INTERNAL AUDIT PLAN 2008/09

WORK CONDUCTED/ONGOING – 1 APRIL to 31 MAY 2008

1. SYSTEMS

- (a) Finance
 - Capital Investment Programme
 - Risk Management
 - Manual Cheques
 - Gifts and Hospitality
 - Conflict of Interest
 - Creditors
 - Controlled Stationary
 - Housing Benefits

- (b) Corporate Services
 - Car Schemes
 - Local Area Agreement
 - Governance

- (c) Children & Young People
 - Schools
 - Financial Management Standard in Schools
 - Out of Borough Placements

- (d) Technical Services
 - Contract Tendering Procedures
 - Highways Project Team
 - Contracts General Work
 - Framework Consultants
 - Retention of Money/Final Certificates

- (e) Regeneration
 - Grange Road West Sports Centre
 - Pacific Road

- (f) Corporate Systems
 - Audit Commission Reports
 - Corporate Governance
 - Building Security
 - Risk Management
 - Performance Management
 - National Fraud Initiative
 - Money Laundering

2. SCHOOLS

- (a) 4 FMSIS Schools

3. OTHER ESTABLISHMENTS

- (a) Leisure Centres
- (b) Libraries
- (c) Community Centres

4. ICT

- (a) Network Controls
- (b) Government Connect
- (c) ICT Strategy
- (d) Data Security Standards (PCI)
- (e) Data Transfer Security

5. PERFORMANCE AND BEST VALUE

- (a) Performance Indicators
- (b) Local Area Agreement

6. ANTI-FRAUD

- (a) National Fraud Initiative
- (b) Mobile Telecommunications
- (c) Money Laundering

7. INVESTIGATIONS

- (a) Pacific Road Bar Operation
- (b) Somerville Primary School

8. OTHER

- (a) Wirral Methodist/Family Housing Associations
- (b) 10 Final Accounts (totalling £2 million) examined