

**ANNUAL INTERNAL AUDIT REPORT 2007/08****TABLE OF CONTENTS**

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## **INTERNAL AUDIT ANNUAL REPORT 2007/08**

### **1. EXECUTIVE SUMMARY**

#### **1.1 INTRODUCTION**

- 1.1 This report presents the Internal Audit opinion on key areas of the Council's activity in 2007/08. Audits were conducted during the year to review control systems in compliance with the Accounts and Audit Regulations 2006.
- 1.2 The Audit Plan was compiled on a risk assessment basis that included consideration of the sensitivity and complexity of all risks identified.
- 1.3 The Section has continued to deliver a much valued service during the year whilst at the same time developing many new initiatives to increase efficiency and effectiveness in line with best professional practice.
- 1.4. Over 500 audit reports were produced for management during the year identifying over 850 recommendations to improve systems and alleviate control weaknesses.

### **2. ACHIEVEMENTS**

- 2.1. The Section has undergone a further period of significant change during the previous twelve months owing to the constantly changing audit environment both internally and externally, legislative changes and the ever increasing demands placed upon the service resulting from increased expectation levels amongst Chief Officers and clients.
- 2.2. The Section has performed well under very difficult conditions to maintain its very high standard of service delivery during the year and this is reflected in the feedback received.
- 2.3. The changing role and emphasis of the work of the Section however clearly continues to be very well received by clients, the Audit Commission, Members and the Chief Executive.
- 2.4. The Section has implemented the majority of the recommendations identified in the Action Plan arising from the self assessment exercise conducted to ensure compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. Only one of the 24 recommendations has not been fully implemented and this is due to the significant input required from a number of external bodies. Consequently, this is currently work in progress and will be completed during 2008/09.
- 2.5. To comply with the new Accounts and Audit Regulations 2006, an Annual Governance Statement for the Council has been prepared by the Section and

included with the Financial Statements. This has involved significant work by the Section to identify, evaluate and test various controls over the multitude of governance arrangements in operation across the Council and includes an evaluation of the effectiveness of the 'system of internal audit'.

### **3. AUDIT PLANNED WORK COMPLETED**

#### **3.1 Financial**

Most systems were assessed as having adequate controls or being capable of achieving adequate controls providing the recommendations made following audits, were implemented.

#### **3.2 Performance Management**

Audit work has again concentrated on reviewing the systems in operation to produce output for measuring performance against targets in accordance with an approach agreed with the Audit Commission, the Deputy Chief Executive and Chief Officers. The systems in operation are assessed as being adequate and improving, provided agreed recommendations are implemented.

#### **3.3 Local Public Service / Area Agreements / CPA**

Internal Audit has had significant involvement in the Local Area Agreement and Local Public Service Agreement during the year, particularly in completing the audit of the remaining LPSA Targets; the second (and final) LPSA claim; and in the ongoing review of LAA National Indicators.

The control systems in operation have been assessed as "adequate", provided the forthcoming recommendations relating to the LAA National Indicators are implemented.

#### **3.4. Corporate Governance**

2007/08 was the first year in which the Authority's corporate governance processes were assessed against the CIPFA/Solace "Delivering Good Governance in Local Government" Framework and Guidance Note. Initial indications are that the governance arrangements currently in place are adequate to satisfy these requirements, although some recommendations are to be made to relevant officers to advise them of the further actions required to ensure compliance.

#### **3.5. Risk Management**

The overall opinion is that significant and continuing progress has been made towards embedding risk management in the Authority. However, there is still further progress to be made so as to ensure that risk management continues to be embedded.

### **3.6. Anti-Fraud and Corruption**

Reviews were conducted of areas where it is known that there are risks of fraud or corrupt practice. Arrangements in place were assessed as being adequate and no material cases were detected, although, assistance was provided on several investigations into cases of irregularity.

### **3.7. I.C.T.**

Reviews were conducted of systems identified in the ICT Audit Plan that included Access Controls over Mobile Working, Physical Security, I-Procurement, ICT Asset Management and CRM Data Protection. The control systems in operation are assessed as being adequate provided agreed recommendations are implemented.

## **4. PROBLEM AREAS**

- 4.1. The shortfall in the level of staffing resource available during the year has resulted in the Section being unable to achieve all of its targets, although the key target of completing all of the high risk audits was achieved.
- 4.2. Extreme difficulties are still being experienced retaining existing audit staff and recruiting replacements in what is a very difficult employment market for professional audit staff.

## **5. 2008/09 AUDIT PLAN**

- 5.1. The 2008/09 Audit Plan has been compiled with regard to all of the risks to the Authority.

It considerably widens the scope of Internal Audit to comply with legislation and professional best practice and it is proposed to make the plan more dynamic, ensuring that planned work is reviewed more frequently following requests for audits and that these are undertaken according to the nature and ranking of the overall risks to the Authority.

## **INTERNAL AUDIT ANNUAL REPORT 2007/08**

### **2. INTRODUCTION**

- 2.1 This report specifies the Internal Audit opinion on key areas of the Council's activity in 2007/08. The audits conducted during the year were principally planned to review financial control systems in compliance with the requirements of the Accounts and Audit Regulations 2006. However significant attention was also paid to many systems of control that were not of a financial nature that included Performance Management, Comprehensive Performance Assessment, Local Agreements, Corporate Governance, Risk Management and many other aspects of service delivery.
- 2.2 The Audit Plan was compiled on a risk assessment basis that included consideration of the sensitivity and complexity of all risks identified including those identified in the, at the time, developing corporate risk register. Client requests, systems being developed and the availability of resources were other factors also taken into account during the year. (Appendix 1A).
- 2.3 The percentage of the planned audit days completed was 79%, representing a significant achievement considering that the Section has continued to experience severe problems retaining and recruiting staff during the year and has struggled to replace a significant number of key members of staff. However, the target for completion was identified as 90%, the national average and minimum level of achievement normally acceptable to the Audit Commission and this has not been achieved.

The staffing problems identified have required the Section to re-prioritise delivery of the Internal Audit Plan, however it is important to note that all of the business critical and high risk systems identified in the plan for 2007/08 have been audited during the period. It is envisaged that given the limited possibility of augmenting the staff resources in the near future that further re-prioritisation of this nature will be required along with any increases in the efficiency and effectiveness of service delivery that can be achieved through a number of planned new initiatives.

- 2.4 Despite this though, the Section has continued to deliver a much valued internal audit service whilst at the same time developing many new initiatives to constantly increase the efficiency and effectiveness in line with current professional best practice and in direct response to a number of external reviews. Particular attention has been paid to ensuring that the Section complies with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and the International Auditing Standards and an action plan prepared following the self assessment exercise identifying 24 recommendations has been implemented for all but one area where work is currently being undertaken with a number of external regulatory bodies and inspection agencies to establish effective working protocols.

The Section has developed many new structures, policies and procedures to achieve compliance that includes a new Internal Audit Charter and Terms of Reference, revised working papers and reports, and an enhanced Quality Assurance programme in line with current best practice. Full compliance with the Internal Audit Strategy in all aspects of service delivery has been achieved that includes the achievement of internal quality standards to demonstrate the provision of an efficient, effective and continuously improving internal audit service that adds value and assists the Council in the achievement of its corporate objectives.

Significant achievements and initiatives developed during the year include:

- (a) Favourable comment by the Audit Commission, following a review of the service, where the Internal Audit Section is described as “providing an effective service that makes a good contribution to the Council’s systems of internal control”.
- (b) Over 500 audit reports including follow-ups and contract evaluations were produced for management during the year identifying over 850 recommendations to alleviate control weaknesses in systems examined. Of these more than 400 were found to be of a high-risk nature requiring immediate action.
- (c) A further 11 special management projects were completed at the request of Chief Officers of the Council that resulted in significant improvements in service delivery and performance management systems.
- (d) 100% of Survey forms returned from a wide a range of customers indicate a positive opinion of the service delivered, which is assessed as always adding value and very often exceeding client expectations.
- (e) A number of high profile reviews were conducted of systems identified in the ICT Audit Plan that included Access Controls over Mobile Working, Physical Security, I-Procurement, ICT Asset Management and CRM Data Protection. One of the jobs that was started late in the year and has been carried forward into 2008/09 concerns the security of Data Transfers by the Council. This is an extremely high profile piece of work undertaken in response to a number of nationally reported incidents involving the loss of data by government bodies.
- (f) Sickness levels have improved over the previous twelve months with a total of 114.5 days lost for the Section. The average days lost per person was 5 comparing very favourably to the target for the Council. The Section also recorded a significant proportion of individuals with a nil absence for the period with nearly 25% of all FTE’s.

FTE	25
Staff in Post	21
Days Lost	114.5

Average Days per person	5
Average Occurrence	1.2

- (g) The qualification and experience mix of staff within the Section is good. Enthusiasm for training and professional qualifications is high. Many staff have one or more qualifications and those currently studying have already obtained qualifications e.g. A.A.T., P.I.I.A., H.N.C., Degree etc.

Success in exams were:

- 4 member of staff completed C.I.P.F.A examinations.
- 1 member of staff completed C.I.M.A. examinations.
- 3 members of staff completed I.I.A examinations.
- 2 members of staff completed QICA examinations.

A total of 13 members of staff within the Section are currently studying for C.I.P.F.A, M.I.I.A, QICA, C.I.M.A and A.A.T qualifications with examinations scheduled to take place later this year. The successful completion of these will result in a number of individuals qualifying in their respective professional disciplines.

It is encouraging that such a significant proportion of staff are eager to commit to professional training, however whilst acknowledging the benefits for the Section, in the long term some problems are currently being experienced due to the success in this area.

Our experience suggests that upon individuals becoming either part or fully qualified they immediately become highly marketable and invariably leave Wirral Council for other similar organisations. This would not necessarily prove to be a major problem under normal circumstances and would almost certainly be expected under the standard recruitment and retention cycle. However, these are trying times and extreme difficulties have been experienced attracting relevantly qualified and experienced replacements in what is a very competitive marketplace.

### **3. ACHIEVEMENTS**

The Section has undergone a further period of significant change during the previous twelve months owing to the constantly changing audit environment both internally and externally where the introduction of the amended Accounts and Audit Regulations, the International Auditing Standards and the new CIPFA Code of Practice for Internal Audit in Local Government has had a dramatic impact upon the work of the Section. In addition to this, increasing demands placed upon the service resulting from increased expectation levels amongst Chief Officers and clients has resulted in even greater pressure

being placed upon the Section. Changes in legislation and best professional practice has also required the Section to undertake a significant amount of work on behalf of the Council in such areas as Anti-Fraud, Corporate Governance including the production of the new Annual Governance Statement and has required some fairly fundamental changes to the way in which the audit service is managed and controlled in these areas. The introduction of the Financial Management Standards in Schools continues to have a major impact on the Section and has involved assessments being undertaken at 46 Primary and Special Schools during the year with a requirement for all Primary and Special Schools to be assessed by 2010.

The increased demands placed upon the Section have undoubtedly caused significant problems for management delivering the service when one considers the resource problems that have been experienced during the year. However, it should be noted that the Section has performed admirably under very difficult conditions to maintain its very high standards and only marginally failed to deliver the target for completion of the Audit Plan, despite a substantial number of additional requests for work being received from the Chief Executive and Chief Officers during the year.

The changing role and emphasis of the work of the Section however, continues to be well received by clients, the Audit Commission, Members of the Audit and Risk Management Committee and the Chief Executive. The Section is now quite clearly viewed in all quarters as a corporate resource that adds value at all levels of the organisation, complies with the recommendations identified in the PWC review of the service, current professional best practice and Audit Commission requirements.

The topics of particular interest are described below:

- (a) The Chief Executive continues to express his extreme satisfaction with the work of the Section and the contribution that has been made during the year to improving financial and management control systems as well as providing advice, guidance and input to many of the key corporate initiatives with which the Council is currently involved.
- (b) The Section has been successful in developing its role in accordance with Audit Commission recommendations, professional best practice and the feedback from clients to date has been very positive. The views of Chief Officers and Members continue to be sought at regular programmed meetings with them to discuss the Internal Audit service provided and composition of the Annual Audit Plan.
- (c) Time has been spent this year auditing the systems in operation to produce output for Performance Indicators in accordance with the approach agreed with the Audit Commission, the Deputy Chief Executive and Chief Officers. This approach has involved utilising audit resources in a more consultative role throughout the year as opposed to the traditional year end audit.

- (d) Agreement was reached with the Deputy Chief Executive concerning Internal Audit's role in the implementation of the many Local Agreement initiatives now in operation. Work has been undertaken during the year to review and evaluate progress towards the achievement of these corporate targets and feedback delivered through reports and presentations to various Corporate Improvement groups at which Internal Audit were represented.
- (e) The Section successfully co-ordinated the National Fraud Initiative. The process for managing this initiative was again evaluated by the Audit Commission during the year and found to operating in an effective manner.
- (f) To comply with the amended Accounts and Audit Regulations 2006, an Annual Governance Statement was prepared by the Section to accompany the Authority's Financial Statements. Although the requirement is in the Accounts and Audit Regulations, it has a much wider implication than simply finance, as a review of the whole system of governance across the Council was required. This year the statement includes an opinion on the effectiveness of the system of internal audit, that is provided by the Deputy Director of Finance following an assessment of the service against the CIPFA Code of Practice for Internal Audit in Local Government. The statement has been prepared in compliance with the 'CIPFA Rough Guide for Practitioners' to meet the requirements of the Act, and as with last years, is more evidence-based with managers required to produce annual assurance statements regarding the internal control and governance systems in operation. This has again proven to be quite resource intensive as the completion of these statements has had to be co-ordinated, evaluated and tested and consequently at times, difficult to manage.
- (g) The automated planning and management system (APACE) that was implemented in 2006 has settled in well and is providing officers with more detailed management information on a day to day basis regarding the progress of individual audits and achievement of the audit plan and associated performance targets. This has provided managers with more detailed information to facilitate the development of a number performance improvement initiatives and increase the efficiency and effectiveness of the audit service delivery. It is planned to further develop this facility during 2008/09.
- (h) Audits have been completed of all business critical systems as agreed with the Audit Commission and include Housing Benefits, Pensions, Payroll and Payments, Council Tax, NNDR and Treasury Management and reports prepared for the relevant clients.
- (i) 46 of the Council's Primary and Special Schools were assessed for compliance with the Financial Management Standards in Schools of the Education Act 2002.

- (j) A significant amount of work has again been undertaken by the Section to ensure that the Council continues to implement sound systems of Corporate Governance. Various audits have been conducted and reports prepared for Chief Officers and the Audit and Risk Management Management Committee, evaluating compliance with the new CIPFA/SOLACE Delivering Good Governance in Local Government publication released in 2007, identifying progress to date and any actions required to ensure continued full compliance.
- (k) Several requests for audits to be completed that were included within the Audit Plan and are of a performance/management nature were received from the Chief Executive and work undertaken as required.
- (l) The Section has retained the contracts for the provision of internal audit services to the Wirral Methodist and Family Housing Associations for a further twelve-month period. The work has been well received and is viewed as adding value to systems in operation.
- (m) The Section has been involved in a number of special high profile reviews during the period including the Telecommunications Antenna, and Highways Procurement exercise that have required extensive resource and culminated in high level reports being prepared for Members and Chief Officers.
- (n) A major review was undertaken at the request of Chief Officers to evaluate the Council systems in place to ensure that the Accreditation list was being operated effectively.
- (o) Various ICT reviews were conducted of systems that included Access Controls over Mobile Working, I-Procurement, ICT Asset Management and CRM Data Protection.
- (p) Input to the risk management process throughout the Council via regular attendance at the Risk Management Forum and direct involvement in the area of strategy revision.
- (q) A number of special projects were conducted following requests from Chief Officers that included Constructionline, Duplicate Creditors Payments and the Planning and Management system and various controls evaluated for efficiency, effectiveness and compliance with best practice and reports prepared for Chief Officer's identifying actions for improving systems.
- (r) A number of high profile systems were reviewed that focussed upon the effectiveness of governance arrangements in operation for compliance with the new CIPFA/SOLACE Framework that culminated in reports for Chief Officers and contained significant recommendations to alleviate risks to the Council.

- (s) The Section has provided specialist input to a number of investigations that have been conducted including one involving suspected fraudulent activity by a senior member of staff.
- (t) 69 final accounts with a total value of over £15 million were audited during the year for accuracy, correctness and validity.

#### 4. AUDIT PLANNED WORK COMPLETED

Internal audit work has been undertaken during the year in each of the following areas to comply with the requirements of the Internal Audit Plan and to provide evidence to support the Annual Governance Statement for 2007/08. The Statement has been prepared by the Section for inclusion with the Financial Statements of the Council to comply with the requirements of the Accounts and Audit Regulations 2006. The Statement provides an opinion on the effectiveness of the systems of governance and internal control in operation throughout the Council and identifies significant weaknesses and actions being undertaken to alleviate them. The Section is required to undertake an extensive exercise to ensure that effective evidence to support the opinion is provided by Chief Officers and managers in the form of individual assurance statements and that any disclosures made within are adequately and independently tested. Included within this exercise is a requirement for the Council to provide a comment regarding the effectiveness of its 'system of internal audit'. This has been provided by the Deputy Director of Finance following a detailed assessment of the internal audit service against the 'CIPFA Code of Practice for Internal Audit in Local Government 2007', direct feedback from clients and the findings of external assessments. A report on this was provided to the Audit and Risk Management Committee in April 2008.

- (a) Financial Control
- (b) Performance Management
- (c) Corporate Governance
- (d) Risk Management
- (e) Anti-Fraud and Corruption
- (f) ICT

##### 4.1 Financial Control

An extensive programme of reviews of financial systems in Departments, Schools and other establishments was completed, together with a significant amount of consultancy requested by clients to assist them in their work.

<u>System</u>	<u>Opinion</u>
Council Tax	Good
Housing Benefit	Satisfactory
Debtors	Satisfactory

Creditors	Satisfactory
Payroll	Good
NNDR	Satisfactory
Pension Fund	Satisfactory
Treasury Management	Less Than Satisfactory
Schools	Satisfactory

The majority of systems were assessed as having adequate controls or being capable of achieving adequate controls providing the recommendations made following audits, were implemented.

#### 4.2 **Performance Management**

Audit work has concentrated on reviewing the systems in operation to produce output to measure performance against targets in accordance with an approach agreed with the Audit Commission, Deputy Chief Executive and Chief Officers. This work has been conducted during the year rather than as an end of year verification exercise; although a sample of high risk Performance Indicators were again selected for testing following work undertaken by our colleagues in Corporate Services. Overall, systems are assessed as being adequate and improving, provided all recommendations are implemented effectively.

#### 4.3 **Local Public Service / Area Agreements / CPA**

Internal Audit has again had a significant involvement with the implementation of the CPA action plan during the year. The service was represented on a number of corporate improvement groups and worked very closely with colleagues in Corporate Services to review and evaluate progress towards the achievement of agreed corporate targets. Senior management from within the Section will continue to be available for any further work of this nature during 2008/09.

All completed LPSA targets, and the final claim, were evaluated for accuracy and validity. All discrepancies were discussed with management and actions to rectify were agreed.

The National Indicators forming part of the new LAA are currently being evaluated, to ensure they are supported by robust data collection and calculation processes. The implementation of the forthcoming recommendations will ensure that controls operate effectively in this area.

#### 4.4 **Corporate Governance**

A review of the Corporate Governance arrangements in operation at Wirral Council has been completed and reports prepared for the Chief Executive and Chief Officers identifying progress to date and recommending actions to be

taken in respect of specific weaknesses in systems of compliance. The findings and agreed actions to alleviate weaknesses identified will be reported to the Audit and Risk Management Committee later this year.

The overall opinion is that current systems are adequate and that considerable progress continues to be made by the Authority to implement effective corporate governance arrangements that comply with the principles formulated in the new CIPFA/SOLACE Delivering Good Governance Framework. However, some improvements are still required to enhance the governance process and ensure that the arrangements remain effective and continue to comply with the new Framework.

In addition to this, the Section is active at a strategic level with the Chief Internal Auditor and Deputy Chief Internal Auditor representing the Section on a number of the Council's Corporate Governance Implementation and Communication Groups.

#### **4.5 Risk Management**

Work has been undertaken throughout the year to assess the implementation of the Risk Management Framework within all departments and confirm the implementation of recommendations to mitigate risks identified previously. As this is a continuous process more work of this nature is scheduled for 2008/09.

The overall opinion of the framework, assessed against the CIPFA five point recommended risk maturity model is a mid point score of 'Risk Defined' with good prospects for improvement. It is acknowledged that significant work has been undertaken in this area during the year, specifically in relation to the Risk Management Strategy that was approved by Cabinet in September 2007. Further work is currently being undertaken on a number of other initiatives and these need to be completed within the agreed timescales to ensure that the infrastructure remains in place to advance the risk maturity and embed risk management completely into the culture of the organisation.

#### **4.6 Anti-Fraud and Corruption**

The Anti Fraud section of the Audit Plan was prepared in accordance with the CIPFA Guidance publication "Managing the Risk of Fraud" (Red Book 1) and incorporates reviews of areas where it is known that there are risks of fraud or corrupt practice i.e. creditor payments and contract awarding. No material cases were detected, but assistance was provided on several investigations into cases of irregularity. CIPFA have developed this approach and produced more detailed guidance (Red Book 2) which will be utilised to prepare this element of the Audit Plan for 2008/09 and a self assessment exercise conducted against this during the year.

In addition, the Audit Commission National Fraud Initiative (NFI) was undertaken during the year and co-ordinated at Wirral by Internal Audit. A considerable number of data matches from a variety of sections and departments were investigated and reports prepared for Chief Officers and Members. The NFI exercise for 2007/08 was expanded and included additional data for matching relating to creditors and private care homes and Licensing.

Work has also been undertaken during the year to ensure that the Wirral Council Anti Fraud and Corruption Policy and Fraud Investigation Plan have been drawn to the attention of all relevant parties and their requirement to comply and take any appropriate actions underlined.

#### **4.7 ICT**

The ICT Audit Plan was prepared in compliance with best professional practice and through discussions with Chief Officers, Clients, external agencies, colleagues in other Councils and the Audit Commission. Items identified for inclusion in the Plan were assessed, evaluated and assigned a risk score in accordance with the CIPFA model.

All of the high risk audits were completed for the year and included reviews of Access Controls over Mobile Working, Physical Security, I-Procurement, ICT Asset Management and CRM Data Protection.

The overall opinion provided of the effectiveness of systems of control across the Council is that they are adequate to deliver the service at present, however significant improvements are required in specific areas including the documentation of policies and procedures and in the monitoring and reporting of performance, to ensure that they remain effective in a very dynamic and increasingly demanding environment.

### **5. PROBLEM AREAS**

5.1 The continued development of the Internal Audit role to comply with best professional practice, the new CIPFA Code of Practice, the requirements of the International Auditing Standards and the amended Accounts and Audit Regulations is very wide-ranging and given its nature has not been achieved without some difficulty. Changing the culture and perception of Internal Audit amongst officers throughout the Council has not been an easy task. However, the feedback from Chief Officers has been very positive and audit involvement in some of the more non-traditional audit areas has been very much welcomed. The staff are extremely enthusiastic and have excelled in this new environment, however as with any change there have been some difficulties experienced mainly in the following areas:

- (a) The Section has continued to experience staffing resource problems during the year with a significant number of staff leaving and not being

able to be replaced, a number of these at a senior management level. This shortfall in the level of staffing resource available during the year has resulted in the Section being unable to achieve all of its targets, although following a re-allocation of existing resource during the year the key target of completing all of the high risk audits was achieved.

- (b) Changes in professional best practice and new legislation has dramatically increased the amount of resource required to complete many audits in these areas and involved the completion of more detailed documentation. In some areas this has also increased the expectation levels amongst Members and Chief Officers regarding audit input to many of the new initiatives that the Council is involved with. This has, and will continue to stretch already limited resource to the point where some of the more traditional audits will continue to suffer. We have over the previous twelve months, with the agreement of the Audit Commission, been able to re-prioritise the Audit Plan to accommodate all the new demands. In an attempt to manage this in the future, it is proposed to continue to review the planned work on a more frequent and dynamic basis and make decisions regarding the delivery of specific audits based on the immediate risks associated. This process will continue to require the ongoing involvement of the Audit and Risk Management Committee, the Section 151 Officer, Chief Officers and the Audit Commission.
- (c) The Section is still experiencing severe problems retaining existing staff in the current environment and where once this might not have been a significant problem on account of the availability of replacement staff, this is not currently the case. The marketplace for internal audit staff is currently extremely difficult and the Section is losing more staff than are currently being replaced. To compound the problem the Section is in a position where it is losing staff to neighbouring Authorities who view Wirral Council staff as extremely marketable due to our recognised high performance. If this situation continues then it will undoubtedly impact upon the Section's ability to deliver the Audit Plan for 2008/09 and more re-prioritisation of work as identified in 5.1 (b) will be required.

## **6. 2008/09 AUDIT PLAN**

- 6.1 The 2008/09 Audit Plan has been prepared using a "risk based" method, which is recognised best practice within the profession, recommended by the Audit Commission and includes detailed consideration of the Council's Corporate Risk Register. To ensure that all risks have been considered the plan has been compiled after taking the following into consideration:

- Risks of known systems
- The Corporate Risk Register
- Views of Chief Executive, Chief Officers and Members
- Independent review of Committee reports
- Views of internal and external auditors

As the Section is now receiving an ever increasing number of requests during the year for 'high risk' complex audits to be undertaken it is proposed to continue to increase the effectiveness and efficiency of the Section through the increased utilisation of new technology and working methods that will assist the more timely delivery of these audits. In addition to this, it will almost certainly be necessary to ensure that the plan delivery is 'dynamic' by nature, reviewing planned work more frequently following requests for work and undertaking audits according to the nature and ranking of the risks to the Authority.

The Audit Plan for 2008/09 was prepared and approved by the Audit and Risk Management Committee in April 2008 (Appendix 1B).

- 6.2 Emphasis will be placed on the main Financial Management Systems of the Council, production of the Annual Governance Statement, Performance Management systems, Local Agreements, Management Projects and systems identified by Chief Officers as being high-risk areas. Also included are the Corporate Governance arrangements in operation as detailed in 6.4 below.
- 6.3. The Section will ensure that adequate resource is made available within the plan to enable Wirral Council to comply with the requirements of the revised Education Act, specifically the Financial Management Standards for Primary and Special Schools which must be fully implemented by March 2010 and has considerable resource implications for the Section.
- 6.4. Corporate Governance systems and procedures will also remain a priority ensuring that not only does the Council have effective corporate governance arrangements in place but that the workforce are aware of the requirements and comply fully with all relevant policies, procedures and guidance. This will be achieved by undertaking audits across the six corporate governance core principles identified in the new CIPFA/SOLACE Framework for Delivering Good Governance in Local Government, and through active involvement at a strategic level via the Council's Corporate Governance Groups.
- 6.5. The revised approach to auditing Management Performance developed in conjunction with colleagues in Corporate Services will continue to be delivered following the success of this initiative during 2007/08 and the reduced pressure that this approach places upon existing resources.
- 6.6. Additional work is again scheduled for those systems where fundamental changes in service delivery are proposed following corporate initiatives and any Departmental re-structuring that has been undertaken. Audits are planned to be completed to verify that sufficient controls are in operation to mitigate any risks associated with large projects and developments of this nature.
- 6.7. Major ICT control and management audits scheduled include reviews of Disaster Recovery arrangements in operation following the external consultant's report and implementation of the action plan, the preparedness of the Council for the implementation of the Government Connect initiative, the

effectiveness of Network Controls currently in operation and the efficiency of the Software Licensing systems in place and compliance with them by the workforce.

- 6.8. Further development of ICT in the audit process is planned for 2008/09 that includes the increased automation of many manual processes, further utilisation of the audit planning and management system (APACE) for preparing working papers and more utilisation of specialist auditing software which should ensure that the effectiveness and efficiency of the audit service increases dramatically and continues to be of a very high quality.
- 6.9. Audits are scheduled to be undertaken to evaluate the effectiveness of the developing Risk Management Framework following on from work undertaken during 2007/08.

David A Garry  
Chief Internal Auditor

## Internal Audit Plan 2007/08 – Outturn Summary

	AUDITS	DAYS
<b>1 CORPORATE RISK</b>	<b>159</b>	<b>877</b>
1.a Corporate Governance	17	141
1.b Risk Management	7	82
1.c Anti Fraud	27	315
1.d Statement on Internal Control	12	145
1.e Works Contracts	96	194
<b>2. PERFORMANCE</b>	<b>24</b>	<b>274</b>
2.a Performance Management Reviews	8	179
2.b Projects	16	95
<b>3. DEPARTMENT SYSTEMS</b>	<b>226</b>	<b>1948</b>
3.a Adult Social Services	18	255
3.b Children & Young Peoples Services	14	142
3.c Corporate Services	30	292
3.d Finance	94	633
3.e Regeneration	54	431
3.f Technical Services	16	195
<b>4 I.C.T.</b>	<b>26</b>	<b>340</b>
<b>5. EXTERNAL CONTRACTS</b>	<b>105</b>	<b>439</b>
<b>6. DEVELOPMENT/TRAINING</b>		<b>982</b>
<b><u>TOTAL AUDITS (Incl Follow Ups)</u></b>	<b>540</b>	
<b><u>TOTAL CHARGEABLE DAYS</u></b>		<b>4860</b>

## Internal Audit Plan Summary 2008-2009

		Audits	Estimate Days	
<b>1.</b>	<b>CORPORATE RISK</b>			<b>1144</b>
1.a.	Corporate Governance	27	477	
1.b.	Risk Management	1	52	
1.c.	Anti Fraud	17	349	
1.d.	Works Contracts	70	266	
<b>2.</b>	<b>PERFORMANCE</b>			<b>259</b>
2.a.	Performance Management	3	64	
2.b.	Local Area Agreements	1	15	
2.c.	Projects	3	180	
<b>3.</b>	<b>DEPARTMENT SYSTEMS</b>			<b>2501</b>
3.a.	Adult Social Services	10	367	
3.b.	Children and Young Peoples Services	11	350	
3.c.	Corporate Services	7	199	
3.d.	Finance	61	888	
3.e.	Regeneration	31	591	
3.f.	Technical Services	9	105	
<b>4.</b>	<b>I.C.T.</b>	<b>20</b>		<b>520</b>
<b>5.</b>	<b>EXTERNAL CONTRACTS</b>	<b>52</b>		<b>469</b>
	<b>TOTAL AUDITS PLANNED</b>	<b>323</b>		
	<b>TOTAL CHARGEABLE DAYS</b>			<b>4892</b>

