

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

25 NOVEMBER 2009

REPORT OF THE CHIEF INTERNAL AUDITOR

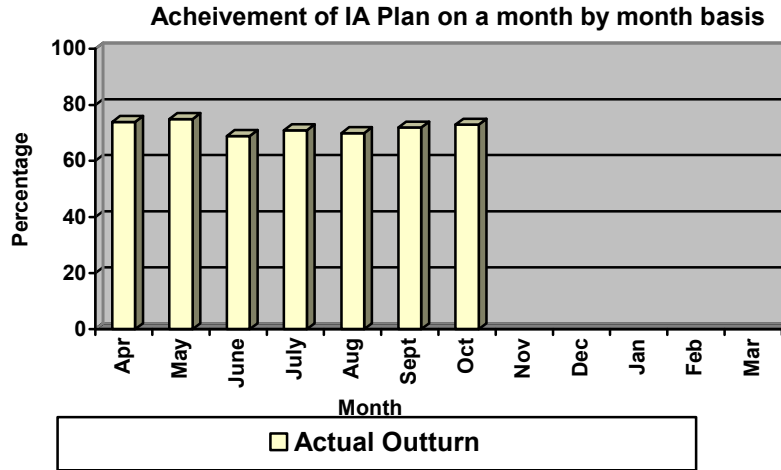
INTERNAL AUDIT WORK: SEPTEMBER TO OCTOBER 2009

1. EXECUTIVE SUMMARY

- 1.1. In order to assist in effective corporate governance and 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 at 2. and includes details of the actual work undertaken over the period and the number of 'High' risk recommendations identified in reports at 3. There are no items of significance identified during the audit process that require action by the Members for this period.

2. INTERNAL AUDIT – PERFORMANCE

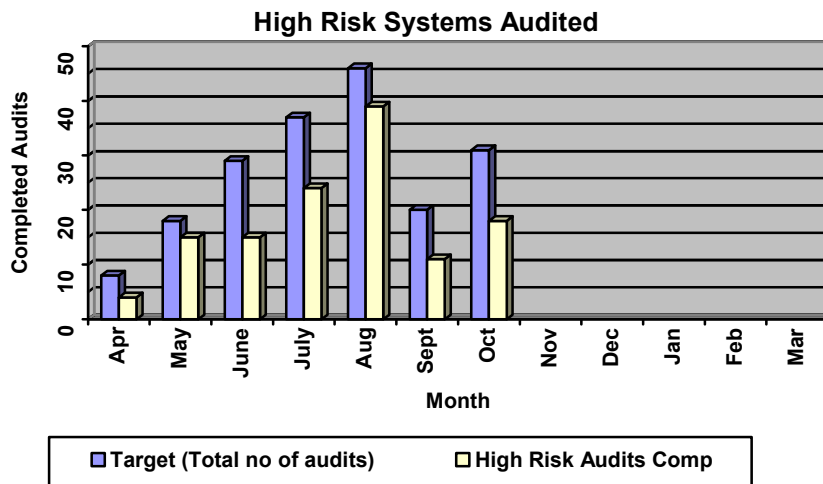
- 2.1. This report summarises the audit work completed between 1 September 2009 and 31 October 2009. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 51 audit reports were produced during this period. 49 high and 25 medium priority recommendations 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. The Section constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas as identified for the period 1st April to 31st October 2009:
 - 2.2.1. To ensure that 90% of the Internal Audit plan is completed by the 31 March 2010.



- 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 year to date achievement has averaged 72% against a target of 90%. This is primarily as a result of long term staffing resource problems being experienced over the period. 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, intermediate, medium or low priority. It is essential that all of the high risk audits are completed in the year.

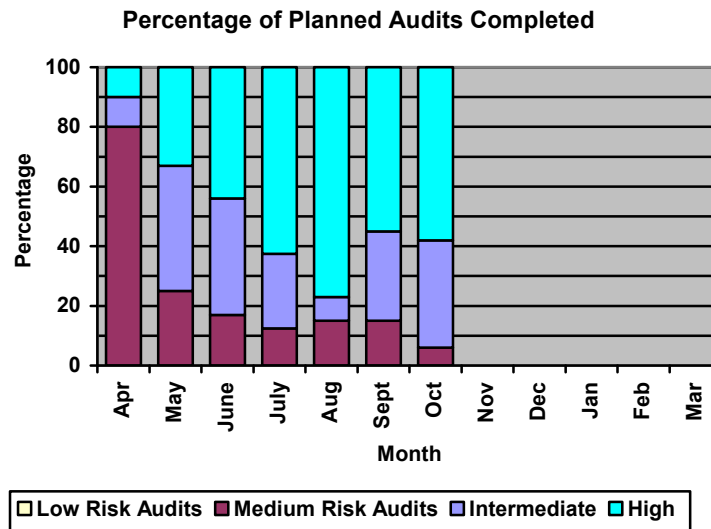
2.2.2. High Risk systems audited as a percentage of total audits completed.

- a. To ensure that all of the key risks identified in the Internal Audit Plan are reviewed, we 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.



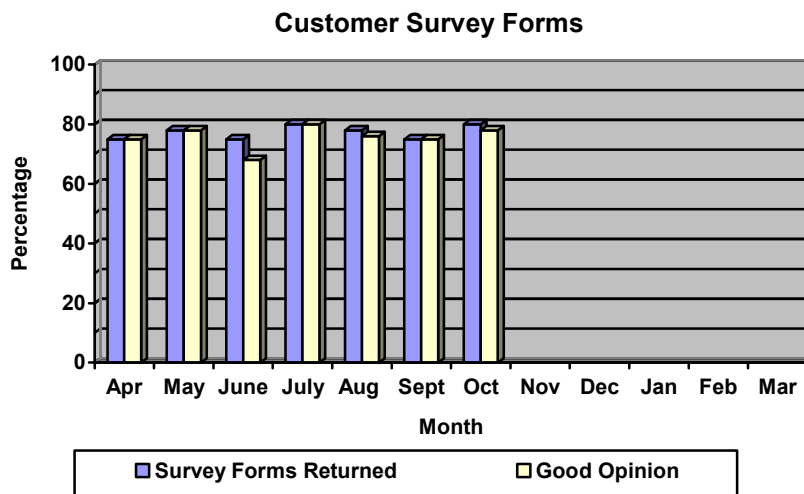
- b. The chart clearly identifies that the number of high risk audits undertaken is a reasonable proportion of the total number of audits completed at this stage of the year. The policy of the Internal Audit Section is to complete as many of these audits as early as possible, however for operational reasons a significant number of these audits cannot actually be completed until later in the year. Of the 113 high risk audits identified in the audit plan, 32 have now been completed representing 48% of the proportionate total and the Section has audits scheduled for the remainder of the year to ensure that it achieves the target of completing all of these audits by the year end.

2.2.3. Planned audits completed.



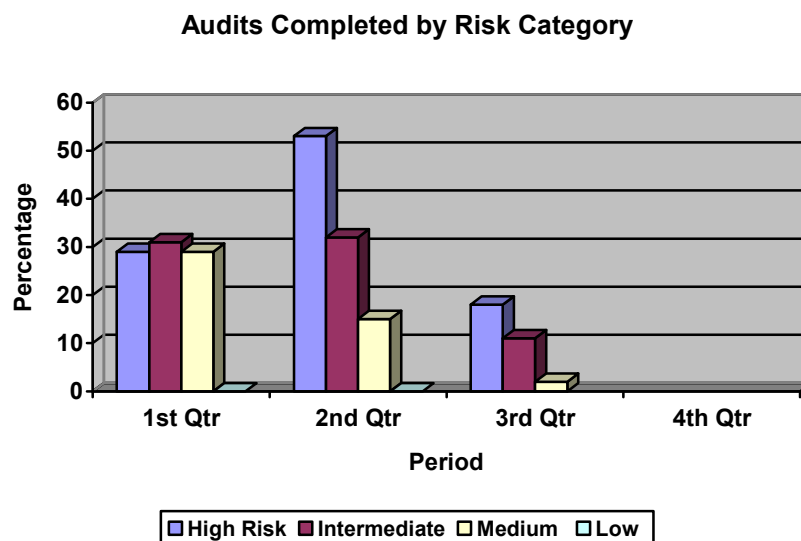
- a. I measure the estimated number of planned audit reports which will be completed each month, subject to variances arising from the changing dynamics of the Audit Plan, including requests from Chief Officers and Members for additional work. With a full complement of staff for the year it is expected that over 300 audit reports plus follow ups, some of which relate to the 2008/09 Audit Plan, will be issued. To date 122 reports have actually been produced. This figure does not though include a significant number of audits including follow ups that are currently ongoing and scheduled for completion later this period.
- b. The performance is however slightly below target for this time of the year and is related to a number of ongoing staffing issues which the Section has been experiencing. Various measures have been introduced to increase output during the year and attempts to recruit suitably experienced staff to ensure that the Section is able to achieve a significant proportion of the Audit Plan by the year end is ongoing.

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.



- a. This chart clearly demonstrates that whilst it is the deliberate policy of the Internal Audit Section to ensure that all high and intermediate risk audits are completed during the year, as it is essential to the well being of the Council to address risks in these

areas, it is not always possible to complete all of this work during the early part of the year. Due to a number of factors including systems that can only be audited at the year end and the differing needs of the clients it has not been possible to focus exclusively on these audits and consequently a significant number of medium risk audits have also been completed over the period. It is anticipated that all of the high and intermediate audits and a significant proportion of the medium risk will be completed by the year-end. Any audits that are unable to be undertaken during the year will be carried forward to the Audit Plan for 2010/11 and the risk to the effectiveness of Council systems in these areas 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. The majority of the required follow up audits complete this period relate to work undertaken in the previous year. No significant delays have occurred in this area despite the resource problems experienced to date. No outstanding issues were 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
Children Centres Review	13	-
* Coroners Review	1	-
Deferred Charges Review	4	-
Floral Pavilion Review	3	-
Records Management Review	1	-
Annual Governance Statement 08/09 – Follow Up	1	-

Kingsway Primary School - Follow Up Review	3	-
Calday Grange Grammar School Review	2	-
Car Mileage – Finance – Follow Up Review	1	-
Car Mileage – DASS – Follow Up Review	1	-
Calday Grange Grammar School – Financial Management Standard In Schools (FMSIS) Review	2	-
* Trees & Verges Service Contract - Review	1	-
Health & Safety – Finance - Review	1	-
Rock Ferry High School – FMSIS Review	3	-
Upton Hall School – FMSIS Review	3	-
Wallasey School – FMSIS Review	5	-
Rock Ferry High School Review	4	-
ICT Corporate Backups	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.

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 2009/10.

11.2. Audit Reports.

12. RECOMMENDATION

12.1. That the report be noted.

DAVID A GARRY
CHIEF INTERNAL AUDITOR

FNCE/311/09

APPENDIX I

INTERNAL AUDIT PLAN 2009/10

WORK CONDUCTED/ONGOING – 1 SEPTEMBER to 31 OCTOBER 2009

1. SYSTEMS

- (a) Finance
 - Bank Reconciliation
 - Council Tax
 - Stock
 - Records Management
 - Creditors
 - Cashiers
 - Health and Safety
 - Housing Benefits
 - Call Centre
 - Debtors

- (b) Law, HR and Asset Management
 - Corporate Governance
 - Car Mileage
 - Payroll 3rd Party Claims
 - Health and Safety
 - Coroners
 - Hard to Fill Posts

- (c) Children & Young People
 - Schools
 - Financial Management Standard in Schools
 - Children's Centres
 - Schools – Statement on Internal Control
 - Contact Point

- (d) Technical Services
 - Final Accounts
 - Capital Contracts
 - Telecomms Antennae
 - Allotments
 - HESPE Team

- (e) Regeneration
 - Floral Pavilion

- (f) Adult Social Services
 - Charging Policy (PIDA)
 - Health and Safety

- (g) Corporate Services
 - Local Area Agreement
 - Wirral Direct

- (h) Corporate Systems
 - Corporate Governance
 - Annual Governance Statement
 - Partnerships
 - National Fraud Initiative
 - Health and Safety
 - Car Mileage
 - Strategic Change Program
 - Complaints

2. **SCHOOLS**

- (a) 8 FMSIS Schools (incl Follow Ups)
- (b) 7 Schools audited

3. **ICT**

- (a) ICT Governance
- (b) Schools ICT Governance

4. **PERFORMANCE AND BEST VALUE**

- (a) Local Area Agreements Reward Targets

5. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) CIPFA Anti Fraud Self Assessment Exercise
- (c) Car Allowances/Mileage Claims
- (d) Creditor Payments Exercise

6. **INVESTIGATIONS**

- (a) PIDA – Adult Social Services
- (b) Procurement

7. **OTHER**

- (a) Wirral Methodist/Family Housing Association's
- (b) 2 Final Accounts (totalling £171k examined)