

# **WIRRAL COUNCIL**

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**30 SEPTEMBER 2008**

### **REPORT OF THE DIRECTOR OF FINANCE**

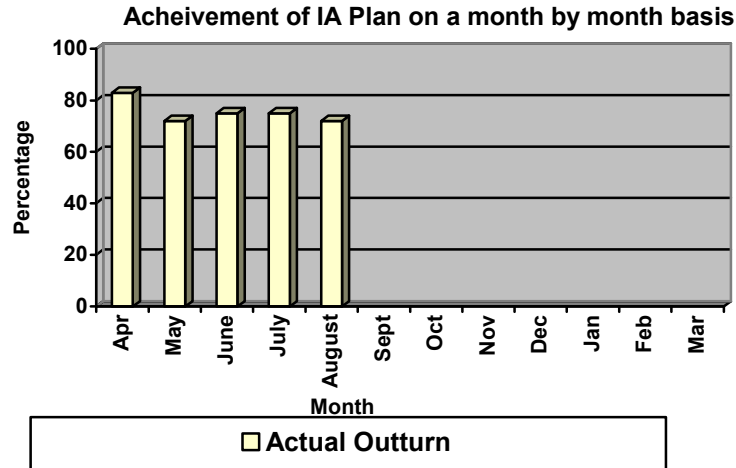
#### **INTERNAL AUDIT WORK: JUNE TO AUGUST 2008**

##### **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 and includes details of the actual work undertaken over the period and the number of 'High' risk recommendations identified in reports. Items of significance identified during the audit process that require the attention of the Members are identified.

##### **2. INTERNAL AUDIT – PERFORMANCE**

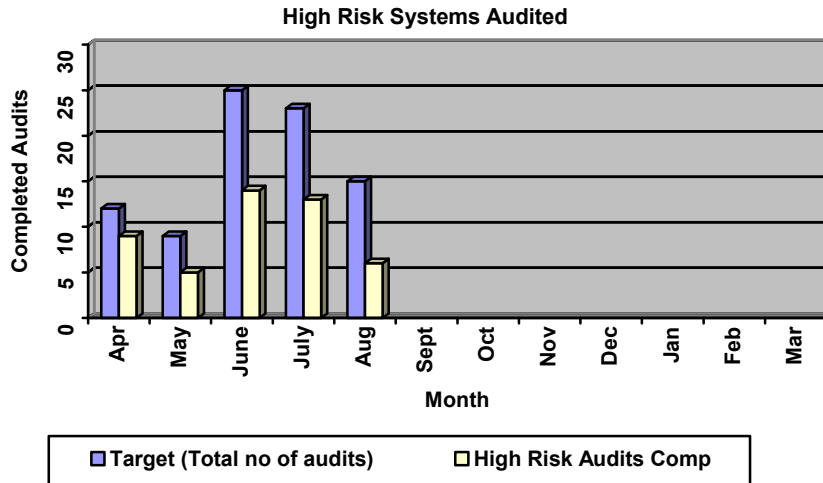
- 2.1. This report summarises the audit work completed between 1 June 2008 and 31 August 2008. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 62 audit reports were produced during this period. 75 high and 91 medium priority recommendations 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 Internal Audit Section constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas as identified for the period 1 June 2008 to 31 August 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 five months of the year achievement has averaged 76% 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, medium or low priority. It is essential that all of the high risk audits are completed during the audit plan year.

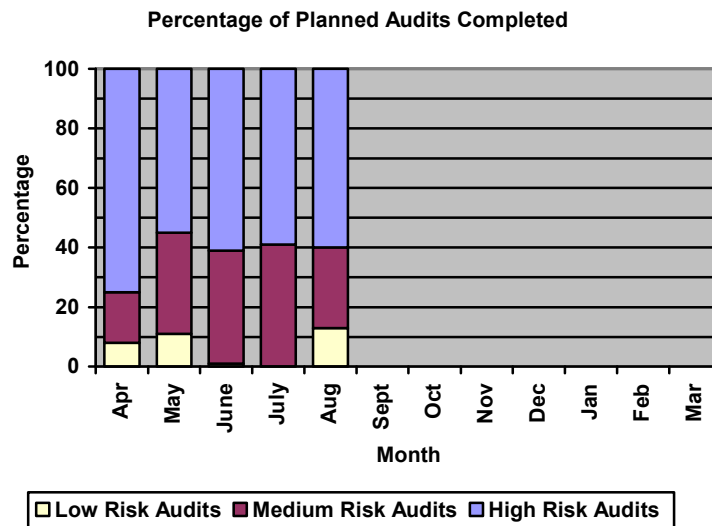
**2.2.2. High Risk systems audited as a percentage of total audits completed.**

- 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 47 of these have actually been completed to date and the Section is on target to complete all of these by the year end.
- 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.

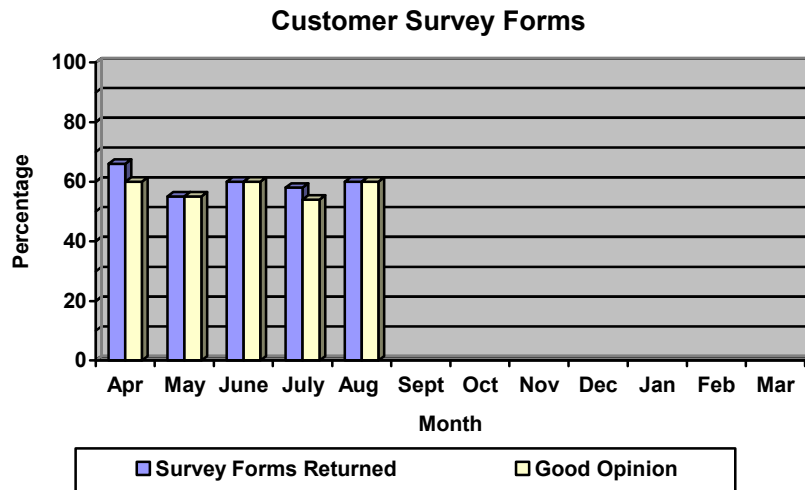
2.2.3. Planned audits completed.



- a. I measure the estimated number of planned audit reports which will be completed each month. It is estimated that 327 audit reports will be issued this year. To date 84 reports have actually been produced, representing a proportionate figure of 21% of the total number of reports, and including 53% of the proportionate high risk audit reports.

- 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 either on vacation or undertaking professional examinations during the period.

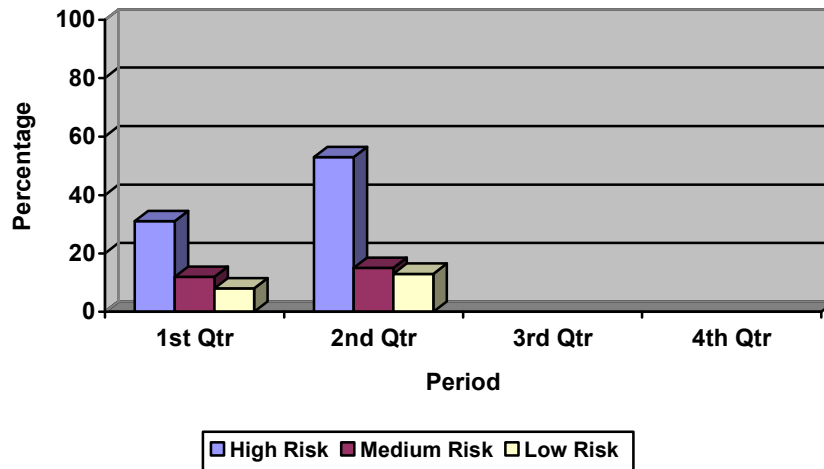
2.2.4. Percentage of Customer Satisfaction Forms returned indicating a 'good' opinion of the service.



- 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 only half way through 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 are unable to be undertaken during the year will be carried forward to the next 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 this year have been completed. No outstanding issues were identified that require the attention of the Audit and Risk Management Committee.

**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 asterisk.

| Audit   | Total Recs Agreed | Recs Not Agreed |
|---|-------------------|-----------------|
| Abakhan Properties – Final Accounts             | 1                 | -               |
| Hospital School – Final Accounts                | 3                 | -               |
| Governance Overview – HPT - Advice              | 2                 | -               |
| Performance Indicators - Review                 | 1                 | -               |
| Pacific Road Bar Operation - Review             | 2                 | -               |
| Annual Governance System                        | 1                 | -               |
| Annual Governance Statement                     | 8                 | -               |
| Empty Property Strategy - Review                | 1                 | -               |
| FMSIS Review - Arrowe Hill Primary School       | 2                 | -               |
| FMSIS Review – Church Drive Primary School      | 9                 | -               |
| FMSIS Review – Greenleas Primary School         | 3                 | -               |
| FMSIS Review – Irby Primary School              | 5                 | -               |
| FMSIS Review – The Priory Parish School         | 5                 | -               |
| FMSIS Review – Well Lane School                 | 1                 | -               |
| FMSIS Review – Barnston Primary School          | 2                 | -               |
| FMSIS Review – Eastway Primary School           | 1                 | -               |
| FMSIS Review – Gayton Primary School            | 5                 | -               |
| FMSIS Review – Greasby Infants School           | 3                 | -               |
| FMSIS Review – Stanton Road School              | 5                 | -               |
| * Manual Cheque Procedures                      | 2                 | -               |
| * Retentions and Final Certificates - Review    | 2                 | -               |
| * Road Maintenance - Review                     | 2                 | -               |
| Adult Social Services Income - Review           | 3                 | -               |
| * Housing Assistance Schemes - Review           | 2                 | -               |
| Adult Social Services Online Payments - Review  | 2                 | -               |
| CYPD Payroll - Review                           | 1                 | -               |
| CYPD Gifts and Hospitality – Follow Up Review   | 1                 | -               |
| Performance Indicators 07/08 – Follow Up Review | 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. ITEMS OF NOTE**

- 4.1. An audit undertaken to review the systems in operation to control the Pacific Road Bar Operations was conducted at the request of the Head of Cultural Services following a number of reported incidents that were being investigated by the Regeneration Department. The audit identified a significant number of control weaknesses and assessed the overall control environment as being 'less than satisfactory'. Actions required to address these issues over a reasonable timescale were identified and agreed with management and follow up audit work scheduled for later this year to assess any progress made and to assess the impact of these actions on the control environment. The findings of this audit will be reported at the next meeting of this Committee in December 2008.

#### **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

FNCE/207/08



## APPENDIX I

### INTERNAL AUDIT PLAN 2008/09

#### WORK CONDUCTED/ONGOING – 1 JUNE to 31 AUGUST 2008

#### 1. SYSTEMS

- (a) Finance
  - Training
  - Risk Management
  - Cheques
  - Gifts and Hospitality
  - Conflict of Interest
  - Creditors
  - Payroll
  - Debtors
  - Council Tax Debit Control
  - One Stop Shops
  - Housing Benefits
  - NNDR Write Offs
  - Housing Benefit Write Offs
  - Cashiers
  - Housing Benefit Enquiry Team
  - NNDR Debit Control
- (b) Corporate Services
  - Car Schemes - Contracts
  - Local Area Agreements
  - Governance
  - Access
  - Pre-employment Screening
- (c) Children & Young People
  - Schools
  - Financial Management Standard in Schools
  - Creditors
  - Payroll
- (d) Technical Services
  - Contract Tendering Procedures
  - Highways Project Team
  - Telecommunications Antennae
  - Estimates for Works Contracts
  - Retention of Money/Final Certificates
  - Works Interim Valuations
- (e) Regeneration
  - Community Energy Efficiency Fund
  - Licensing Income Management
  - Pacific Road Bar Operation
  - WW/MWRP Grants
  - Neighbourhood Renewal Fund

- Empty Property Strategy
- Housing Assistance Protocol
- Trading Standards Business Support
- Cultural Services Procurement

(f) Corporate Systems

- Corporate Governance
- Corporate Complaints
- Regulation of Investigatory Powers
- Risk Management
- Performance Management
- National Fraud Initiative
- Money Laundering
- Health and Safety

(g) Adult Social Services

- Creditor Payments
- Income Sources

2. **SCHOOLS**

- (a) 12 FMSIS Schools

3. **OTHER ESTABLISHMENTS**

- (a) Wirral Tennis Centre  
 (b) Birkenhead Central Library  
 (c) Community Centres

4. **ICT**

- (a) Mobile Telecommunications  
 (b) Government Connect  
 (c) ICT Strategy  
 (d) Data Security Standards (PCI)  
 (e) Data Transfer Security  
 (f) Members ICT Governance  
 (g) ICT Guidelines for Systems

5. **PERFORMANCE AND BEST VALUE**

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

6. **ANTI-FRAUD**

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

**7. INVESTIGATIONS**

- (a) Pacific Road
- (b) Print Unit
- (c) Pension Fund

**8. OTHER**

- (a) Wirral Methodist/Family Housing Associations
- (b) 5 Final Accounts (totalling £1 million) examined