

**WIRRAL COUNCIL**

**AUDIT AND RISK MANAGEMENT COMMITTEE**

**26 JANUARY 2009**

**REPORT OF THE DIRECTOR OF FINANCE**

**INTERNAL AUDIT WORK: NOVEMBER TO DECEMBER 2008**

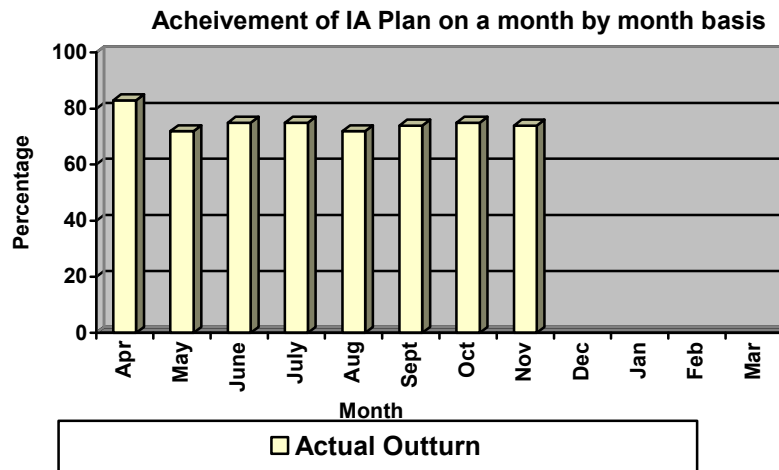
**1. EXECUTIVE SUMMARY**

- 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 Members are included along with any items requested by Members for.

**2. INTERNAL AUDIT – PERFORMANCE**

- 2.1. This report summarises the audit work completed between 11 November 2008 and 31 December 2008. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 55 audit reports were produced during this period. 56 high and 28 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 performance including a number of performance indicators in key areas.

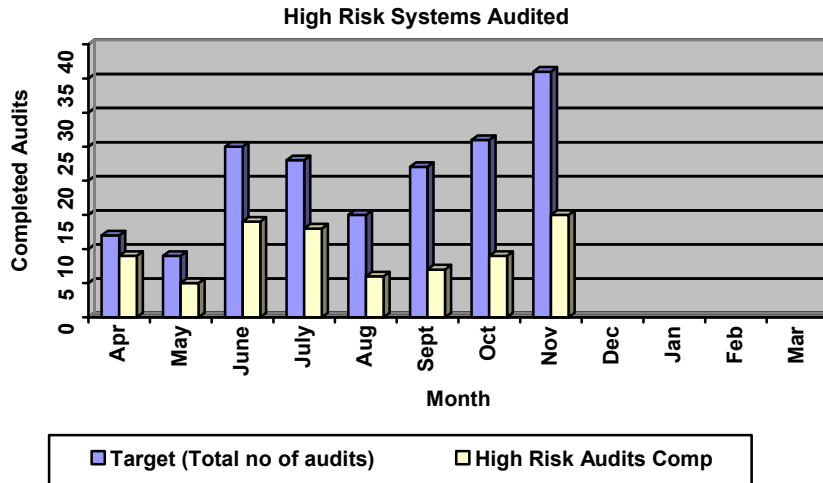
2.2.1. To ensure that 90% of the Internal Audit plan is completed by the 31 March 2009.



- 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 eight months of the year to date achievement has averaged 74% 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.

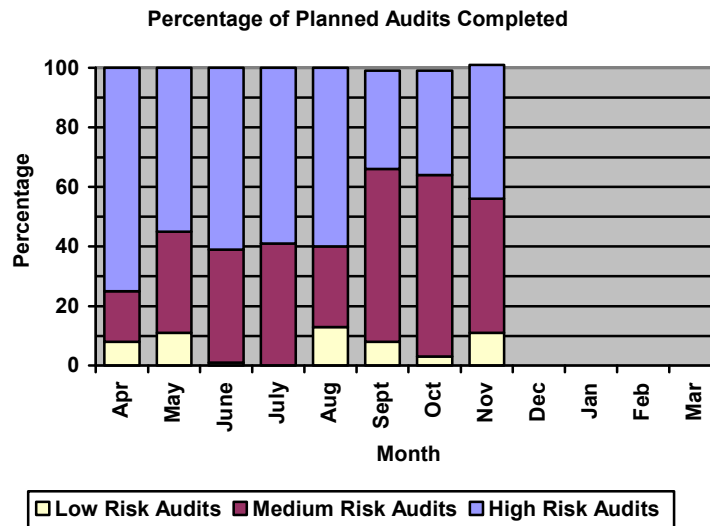
2.2.2. High Risk systems audited as a percentage of total audits completed.

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



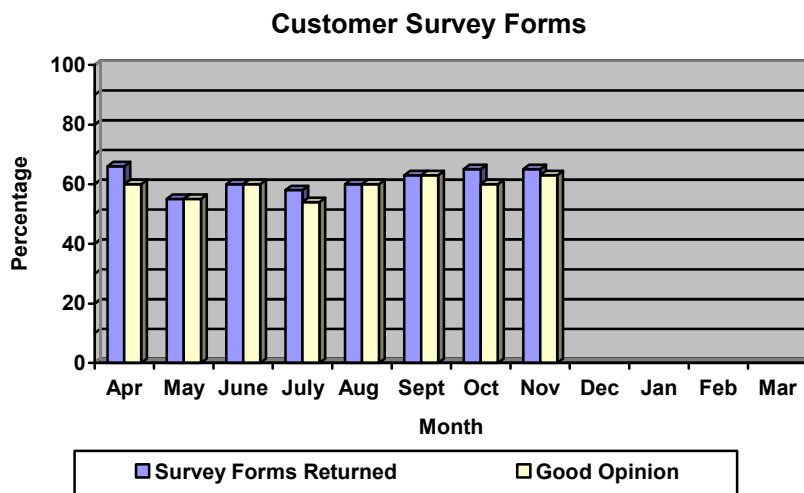
- b. The chart clearly identifies that the number of high risk audits undertaken is a significant proportion of the total number of audits completed each month, particularly in the early part of the year, and reflecting the deliberate policy of the Internal Audit Section to complete as many of these audits as early as possible. Of the 89 high risk audits identified in the audit plan 78 of these have 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.



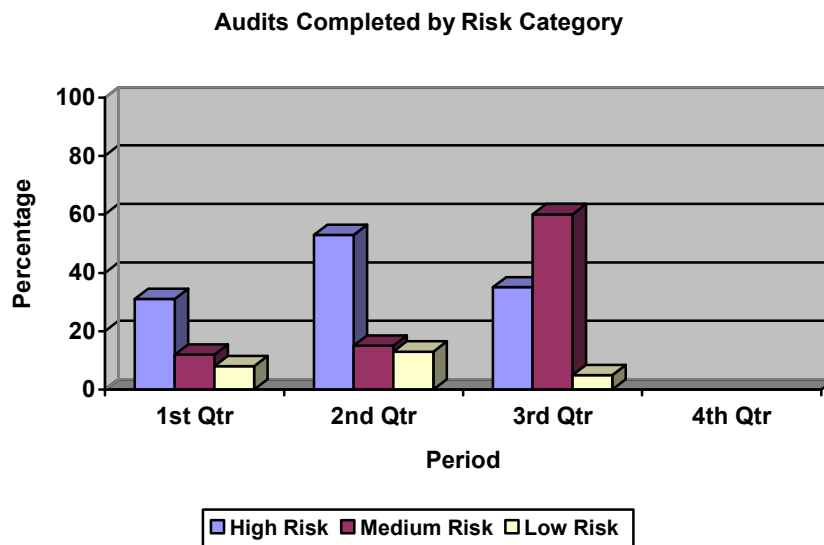
- a. I measure the estimated number of planned audit reports which will be completed each month. It is expected that 327 audit reports will be issued this year. To date 180 reports have been produced, representing 55% of the total number of reports, and including 88% of the high risk audit reports.
- b. The performance is below target for this time of the year and is directly related to the staffing issues which the Section has been experiencing during the year to date. Attempts have been made to address this issue and a recent recruitment drive has resulted in three of the five vacancies in the Section being filled, although only one of these has been by an external candidate.

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 recurrence.

2.2.5. The percentage of 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. 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. The majority of the required follow up audits relating to work undertaken this year have now been completed and the remainder are currently ongoing. 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.

**3. ITEMS OF NOTE**

**3.1 Data Security**

- 3.1.1. At the meeting of this Committee on 1 December 2008 Members requested that details of the findings of the audit review of Data Security arrangements in operation across the Council be reported. This audit work is currently ongoing; however emerging findings would suggest that there are weaknesses in the existing arrangements, particularly in the following areas:

- Inconsistencies of approach across the Council with regards to exchanging data with partners,
- Corporate risk assessments of data exchanges not being conducted regularly,
- Technical controls to prevent data being copied to uncontrolled media such as CD's, USB Flash Drives and SD Cards not being implemented to support Council policy.

3.1.2. Extensive work is currently being undertaken across the Council to ensure that the security arrangements in this area are improved to comply with best practice and the requirements of the Government Connect initiative which is scheduled to be operational by 30 September 2009 and the details of this will be summarised in the findings of the audit and reported to Chief Officers and Members in due course.

#### 4. INTERNAL AUDIT PLAN - PROGRESS OF WORK

4.1 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
* Solar Campus - Final Account	1	-
Accounts Payable - Reconciliation Review	2	-
ERDF Review	1	-
PIR Academy HB/CT – Review	1	-
FMSIS Review – Portland School	7	-
Travel and Subsistence – Technical Services	2	-
Travel and Subsistence – Regeneration	1	-
* Network Controls – Review	1	-
* Pacific Road Bar Operations – Follow Up	1	-
FMSIS Review – St Peters (Heswall)	7	-
FMSIS Review – Woodland	4	-
* Rock Ferry High – Fire Reinstatement – Final Account	1	-
* Rock Ferry High School – Lab Extension – Final Account	1	-
FMSIS Review – Ladymount Primary School	4	-
FMSIS Review – St Josephs (Wallasey)	6	-

FMSIS Review – Castleway	3	-
FMSIS Review – Ganneys Meadow	5	-
Annual Governance Statement – Follow Up	4	-
* Foster Care - Review	4	-

4.2 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.

## 5. FINANCIAL AND STAFFING IMPLICATIONS

5.1. There are none arising from this report.

## 6. LOCAL MEMBER SUPPORT IMPLICATIONS

6.1. There are no local Member support implications.

## 7. LOCAL AGENDA 21 STATEMENT

7.1. There are no local agenda 21 implications.

## 8. PLANNING IMPLICATIONS

8.1. There are no planning implications.

## 9. EQUAL OPPORTUNITIES IMPLICATIONS

9.1. There are no equal opportunities implications.

## 10. COMMUNITY SAFETY IMPLICATIONS

10.1. There are no community safety implications.

## 11. HUMAN RIGHTS IMPLICATIONS

11.1. There are no human rights implications.

## 12. BACKGROUND PAPERS

12.1. Internal Audit Annual Plan 2008/09.

12.2. Audit Reports.

13. **RECOMMENDATION**

13.1. That the report be noted.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/6/09



**INTERNAL AUDIT PLAN 2008/09**

**WORK CONDUCTED/ONGOING – 11 NOVEMBER to 31 DECEMBER 2008**

**1. SYSTEMS**

- (a) Finance
  - Insurance
  - Cheque Control
  - Credit Cards
  - Conflict of Interest
  - One Stop Shops
  - Creditors
  - Risk Management
  - Debtors
  - Housing Benefits
  - VAT
  - Leasing
  - Archiving
  - Cashiers
  
- (b) Law, HR and Asset Management
  - Contracts
  - Governance
  - Members Gifts and Hospitality
  - Members ICT
  - Access
  - Payroll
  
- (c) Children & Young People
  - Schools
  - Financial Management Standard in Schools
  - Creditors
  - Transport
  - Foster Care
  
- (d) Technical Services
  - Final Accounts
  - Arboricultural Services
  - Greenwaste Procurement
  - Estimates for Works Contracts
  - Asbestos Works - Tendering
  - Coastal Survey Contract
  - Abandoned Vehicles
  
- (e) Adult Social Services
  - Gifts and Hospitality
  - Risk Management
  - Charging Policy

- (f) Corporate Systems
  - Corporate Governance
  - Risk Management
  - Performance Management
  - National Fraud Initiative
  - Money Laundering
  - Health and Safety
  - Credit Cards
  - European Regional Development Fund (ERDF)
  
- (g) Regeneration
  - Community Energy Efficiency Fund
  - Libraries
  - Pacific Road Bar Operation
  - Neighbourhood Renewal Fund
  - First Home Scheme
  - Trading Standards Business Support
  - Environmental Health
  
- (h) Corporate Services
  - Performance
  - Local Area Agreements

## 2. **SCHOOLS**

- (a) 7 FMSIS Schools

## 3. **OTHER ESTABLISHMENTS**

- (a) Wirral Tennis Centre
- (b) Libraries
- (c) Community Centres
- (d) One Stop Shops

## 4. **ICT**

- (a) Data Security Standards (PCI)
- (b) Data Transfer Security
- (c) Members ICT Governance
- (d) Network Controls

## 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
- (d) CIPFA Anti Fraud Self Assessment Exercise

7. **INVESTIGATIONS**

- (a) PIDA – Adult Social Services
- (b) Print Unit
- (c) Pension Fund

8. **OTHER**

- (a) Wirral Methodist/Family Housing Association's
- (b) 6 Final Accounts (totalling £ 3 million) examined