

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

31 MARCH 2009

REPORT OF THE DIRECTOR OF FINANCE

INTERNAL AUDIT ANNUAL PLAN 2009-2010

1. EXECUTIVE SUMMARY

- 1.1. The Internal Audit Section of the Finance Department plans and completes audits to review all relevant areas of risk.
- 1.2. An Internal Audit Plan is produced annually by the Chief Internal Auditor following consultation with the Chief Executive and Chief Officers of the Council
- 1.3. This report presents the Internal Audit Plan for 2009-2010 for approval.

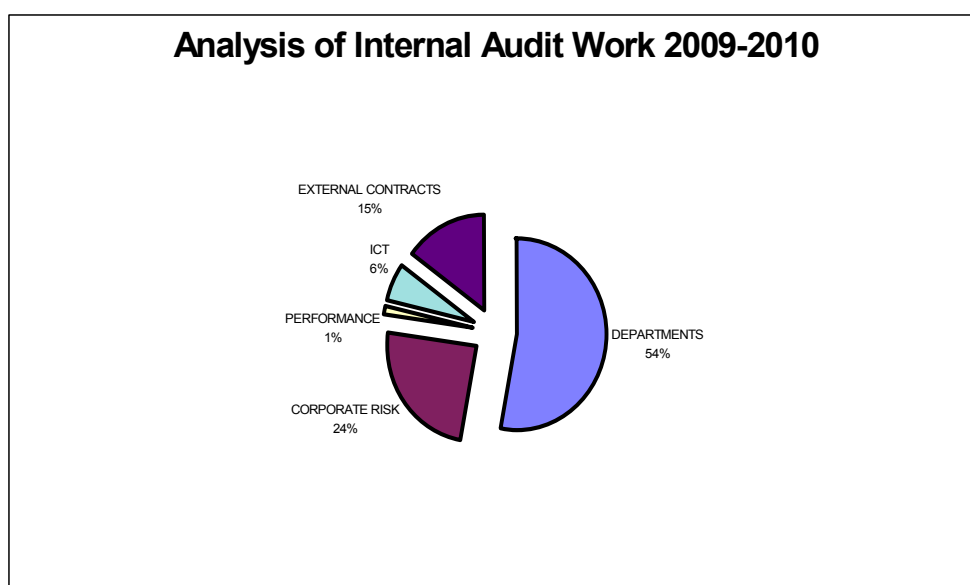
2. BACKGROUND

- 2.1. The Accounts and Audit Regulations 2003 require that a local authority "shall maintain an adequate and effective system of internal audit."
- 2.2. To fulfil the statutory requirements, the Internal Audit Section reviews management, governance and service delivery arrangements within the Council as well as financial control systems. Work is selected for review on the basis of risks as assessed by Chief Officers, Managers and Internal Audit.
- 2.3. The Audit Commission as part of the managed audit approach periodically reviews the operation of Internal Audit and agrees the content and coverage of the Annual Internal Audit Plan.

3. INTERNAL AUDIT ANNUAL PLAN 2009-2010

- 3.1. The Internal Audit Annual Plan has been prepared using a "risk based" method, which is recognised best practice within the profession and recommended by the Audit Commission. 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/Departmental Risk Registers
 - Departmental Plans
 - Views of the Chief Executive, Chief Officers and Members
 - Independent review of Committee reports,
 - Views of the internal and external auditors

- 3.2. The International Standards on Auditing (UK and Ireland) indicate that an annual audit should be undertaken on the main financial systems. Following discussion with the Audit Commission the main financial systems have been subjected to a separate risk assessment.
- 3.3. The actual resource allocated to each individual area of the Audit Plan is calculated according to the actual risk of objectives not being achieved in those areas and follows a very complex risk scoring exercise that takes account of a variety of different factors during the process including the value, volume, complexity and sensitivity of different systems identified. Resource, in terms of the number of hours assigned to each plan heading, is allocated in direct proportion to the risk score calculated for each one. This process is based upon a CIPFA model and is regarded as current best professional practice and approved by the Audit Commission.
- 3.4. Audit work is conducted in accordance with professional standards set by the Audit Practices Board, CIPFA and the Institute of Internal Auditors.
- 3.5. The Audit Plan is a 'working' document and given the nature of the audit service and the constantly changing environment within which it operates is required to be both flexible and dynamic. This ensures that service delivery is constantly being reviewed to ensure that best professional practice is complied with at all times.
- 3.6. To ensure internal audit work remains focused on the risks facing the Council the areas will be re-assessed mid-year to determine their continued appropriateness in the light of any emerging risks and any significant additions to the corporate risk register that have not previously been considered.
- 3.7. Completion of the Audit Plan is subject to adequate and appropriate resources being available throughout the year and the ability to fill vacancies with appropriately qualified and experienced staff.
- 3.8. The plan coverage for 2009-2010 is illustrated below:



3.9. The areas identified as high-risk for 2009-2010 are:

3.9.1 Main Financial Systems.

The International Standards on Auditing (UK and Ireland) indicate that the main financial systems should be audited in depth each year. If the Audit Commission cannot rely on work undertaken they will have to programme work into their schedule and charge Wirral for any extra cost.

3.9.2 Corporate Risk.

Management systems, processes and initiatives identified by Chief Officers for an independent review have been included in the Audit Plan this year. Examples of areas identified as high risk are as follows:

- Corporate Governance
- Financial Management Standard In Schools – Primary Schools
- Risk Management
- Anti-Fraud
- Local Area Agreement
- Change Programme

3.9.3 Performance Management.

Chief Officers are keen to have an audit input as the arrangements to comply with the requirements of the Comprehensive Area Assessment regime are very challenging and high profile. The focus of the audit work this year will be to allow more value to be added to management systems through an ongoing process of review and active dialogue with clients regarding the efficiency and effectiveness of systems.

3.9.4 Housing Benefits.

The Benefit Fraud Inspectorate and the Audit Commission specifically recommend certain levels of audit resource that should be devoted to Housing Benefit. The nature of the service is such that it constitutes a high risk to the Authority.

3.9.5 Schools.

Increased resource has been allocated to these audits as the requirement under the Education Act 2002 for schools to achieve a Financial Management Standard (FMSIS) has been extended to Primary and Special Schools. The Local Authority through audit inspections is required to seek assurance that all schools comply with this standard by March 2010.

3.9.6 ICT Control and Management

The key areas for audit during 2009-2010 are:

- Corporate ICT systems – Backup/Recovery
- Corporate Network Access
- Corporate Data
- SWIFT

4. FINANCIAL AND STAFFING IMPLICATIONS

- 4.1. There are no immediate additional financial and staffing implications arising directly from this report.

5. LOCAL MEMBER SUPPORT IMPLICATIONS

- 5.1. There are no local Member support implications arising directly from this report.

6. LOCAL AGENDA 21 STATEMENT

- 6.1. There are no Local Agenda 21 implications arising directly from this report.

7. PLANNING IMPLICATIONS

- 7.1. There are no planning implications arising directly from this report.

8. EQUAL OPPORTUNITY IMPLICATIONS

- 8.1. There are no equal opportunity implications arising directly from this report.

9. COMMUNITY SAFETY IMPLICATIONS

- 9.1. There are no community safety implications arising directly from this report.

10. HUMAN RIGHTS IMPLICATIONS

- 10.1. There are no human rights implications arising directly from this report.

11. BACKGROUND PAPERS

- 11.1. Code of Practice for Internal Audit in Local Government: CIPFA.

12. RECOMMENDATION

- 12.1. That the Internal Audit Plan for 2009-2010 be approved.

IAN COLEMAN
DIRECTOR OF FINANCE

Internal Audit Plan Summary 2009-2010

		Audits	Estimate Hours
1.	CORPORATE RISK		6,767
1.a.	Corporate Governance/AGS	9	1,534
1.b.	Risk Management	2	229
1.c.	Anti Fraud	58	2,819
1.d.	Works Contracts	68	2,185
2.	PERFORMANCE		808
2.a.	Performance Management	4	419
2.b.	Local Area Agreement	4	389
3.	DEPARTMENT SYSTEMS		18,224
3.a.	Adult Social Services	22	1,781
3.b.	Children and Young Peoples Services	71	3,311
3.c.	Corporate Services	6	649
3.d.	Finance	79	5,883
3.e.	Law, HR & Asset Management	43	2,680
3.f.	Regeneration	55	2,845
3.g.	Technical Services	20	1,075
4.	I.C.T.	36	3,658
5.	EXTERNAL CONTRACTS	84	2,461
6.	DEVELOPMENT/TRAINING		2,737
	<u>TOTAL AUDITS PLANNED</u>	561	
	<u>TOTAL CHARGEABLE HOURS</u>		34,655