

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

31 MARCH 2009

REPORT OF THE DIRECTOR OF FINANCE

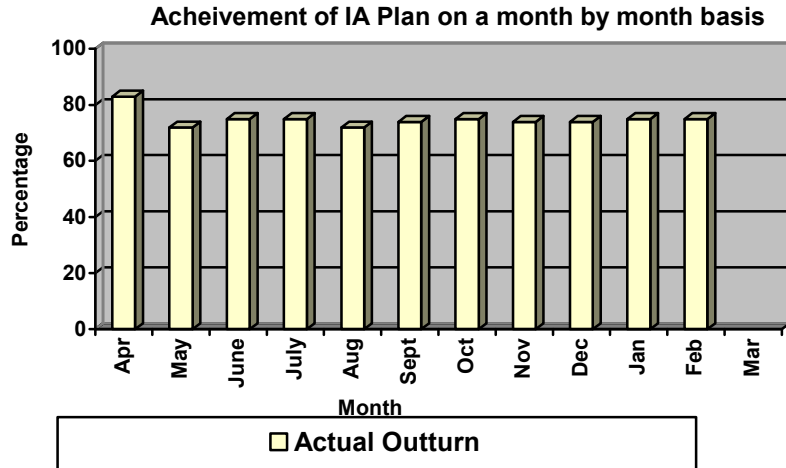
INTERNAL AUDIT WORK: JANUARY TO FEBRUARY 2009

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. and includes details of the actual work undertaken over the period and the number of 'High' risk recommendations identified in reports. There are no items of significance identified during the audit process that require the attention of Members for this period.

2. INTERNAL AUDIT – PERFORMANCE

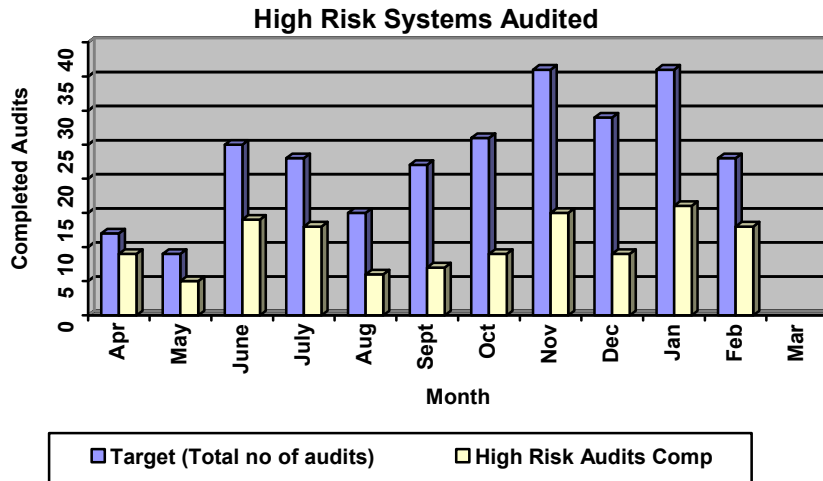
- 2.1. This report summarises the audit work completed between 1 January 2009 and 28 February 2009. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 59 audit reports were produced during this period. 50 high and 101 medium priority recommendations 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 April 2008 to 28 February 2009:
 - 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 year to date achievement has averaged 75% against a target of 90% and it is anticipated that this figure will be the outturn for the year. 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.

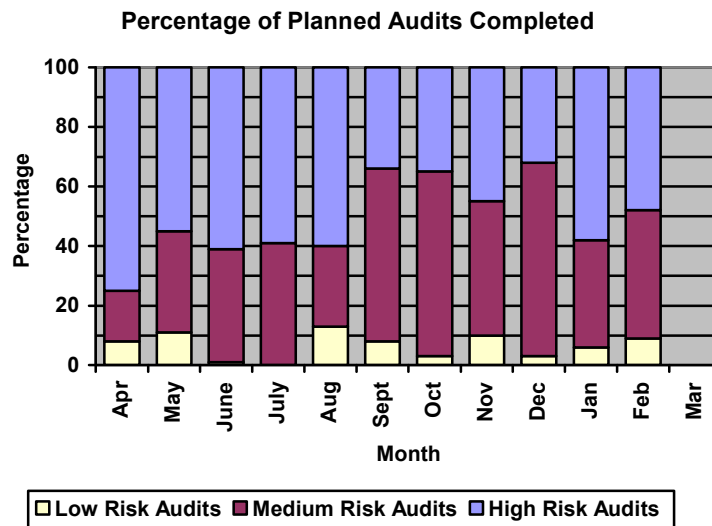
2.2.2. High Risk systems audited as a percentage of total audits completed.

- 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 following chart.



- 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, and reflects the deliberate policy of the Internal Audit Section to complete as many of these audits as early as possible. All of the 89 high risk audits identified in the audit plan have now been completed plus a further 42 added to the Plan during the year following requests from Chief Officers and Members.

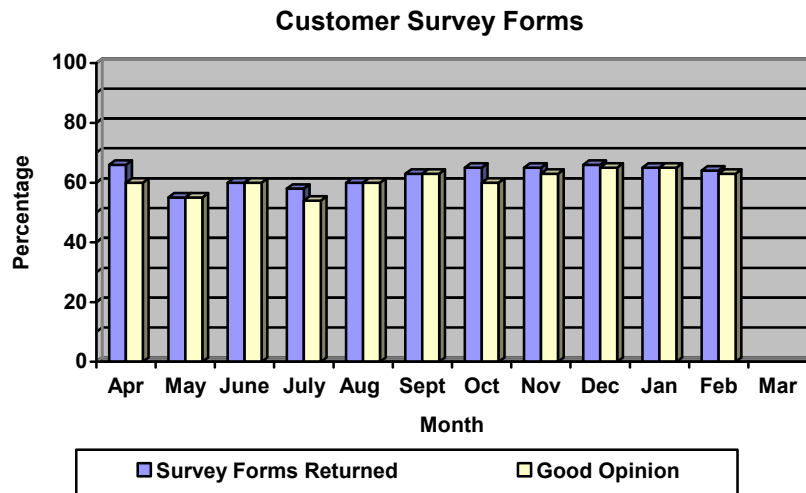
2.2.3. Planned audits completed.



- 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 202 reports have actually been produced, representing a proportionate figure of 62% of the total number of reports, and including 100% of the proportionate 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. Various measures have been introduced during the year to increase output which have included streamlining some audits, reducing some of the working papers maintained and automating a number of labour intensive processes, and whilst this has undoubtedly increased productivity repeated attempts to recruit experienced staff have met with limited success.

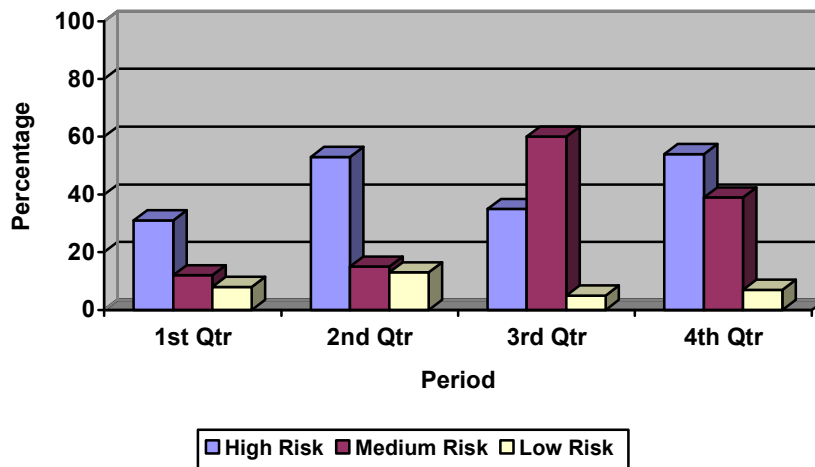
2.2.4. Percentage of Customer Satisfaction Forms returned indicating a 'good' opinion of the service.



- 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 reoccurrence.

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. All of the high risk audits have now been completed and it is anticipated that a significant proportion of the medium risks 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 2009/10 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 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 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 asterisk.

Audit	Total Recs Agreed	Recs Not Agreed
* Mobile Phones - Regeneration	7	-
* Mobile Phones - CYPD	11	-
* Mobile Phones - Finance	21	-
* Mobile Phones – Technical Services	8	-
* Mobile Phones - DASS	7	-
* Pre-Employment Screening	4	-
* Mobile Phones – Corporate Services	7	-
ICT Removable Media	6	-
Data Transfer	6	-
Travel and Subsistence - DASS	1	-
FMSIS Review - Christchurch (Moreton)	4	-
FMSIS Review – St Michaels & All Angels	10	-
FMSIS Review – Town Lane Infants	5	-
Travel and Subsistence – MPF	1	-
Travel and Subsistence - Finance	3	-
FMSIS Review – Christ The King	6	-
* Winstanley Road and Salisbury Drive	2	-
FMSIS Review – Our Lady of Lourdes	7	-
Schedule of Rates	3	-
Creditors Central System - Review	1	-
* Car Allowances	1	-
Payroll Central System – Review	4	-
* Cultural Services Procurement	3	-

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 2008/09.
 - 11.2. Audit Reports.
12. **RECOMMENDATION**
 - 12.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/65/09

APPENDIX I

INTERNAL AUDIT PLAN 2008/09

WORK CONDUCTED/ONGOING – 1 JANUARY to 28 FEBRUARY 2009

1. SYSTEMS

- (a) Finance
 - Output Controls
 - Direct Payment Transfers
 - Batch Control
 - Credit Cards
 - Travel and Subsistence
 - Creditors
 - Risk Management
 - Call Centre Operations
 - Housing Benefits
 - Council Tax Recovery
 - Customer Services Management
 - Debtors Central System
 - Debtors On Line Sites
 - Income Control
 - NNDR Recovery
 - Establishment Control
 - Car Allowances

- (b) Law, HR and Asset Management
 - Contracts
 - Corporate Governance
 - Members Gifts and Hospitality
 - Members ICT
 - Money Laundering
 - Pre Employment Screening
 - Payroll

- (c) Children & Young People
 - Schools
 - Financial Management Standard in Schools
 - Creditors
 - Schools – Statement on Internal Control

- (d) Technical Services
 - Final Accounts
 - Capital Contracts
 - Schedule of Rates

- (e) Regeneration
 - Cultural Services Procurement
 - Museums Income
 - Pacific Road Bar Operation

- (f) Adult Social Services
 - Creditor Payments
 - SWIFT
 - Funding Contract – Voluntary Sector
 - Dignity in Care Grant
 - Respite Care – Placements
 - Travel and Subsistence
- (g) Corporate Services
 - Performance
 - Local Area Agreement – Reward Targets
- (h) Corporate Systems
 - Corporate Governance
 - Annual Governance Statement
 - Risk Management
 - Performance Management
 - National Fraud Initiative
 - Money Laundering
 - Health and Safety
 - Credit Cards
 - Travel and Subsistence
 - Mobile Phones

2. **SCHOOLS**

- (a) 11 FMSIS Schools

3. **ICT**

- (a) Removable Media
- (b) Data Transfer Security
- (c) Members ICT Governance
- (d) Security Incidents
- (e) CRM Data Protection

4. **PERFORMANCE AND BEST VALUE**

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

5. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Mobile Telecommunications
- (c) Money Laundering
- (d) CIPFA Anti Fraud Self Assessment Exercise
- (e) Regulation of Investigatory Powers (RIPA)

6. **INVESTIGATIONS**

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

7. **OTHER**

- (a) Wirral Methodist/Family Housing Associations
- (b) 7 Final Accounts (totalling £ 819k) examined