

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 JUNE 2009

REPORT OF THE CHIEF INTERNAL AUDITOR

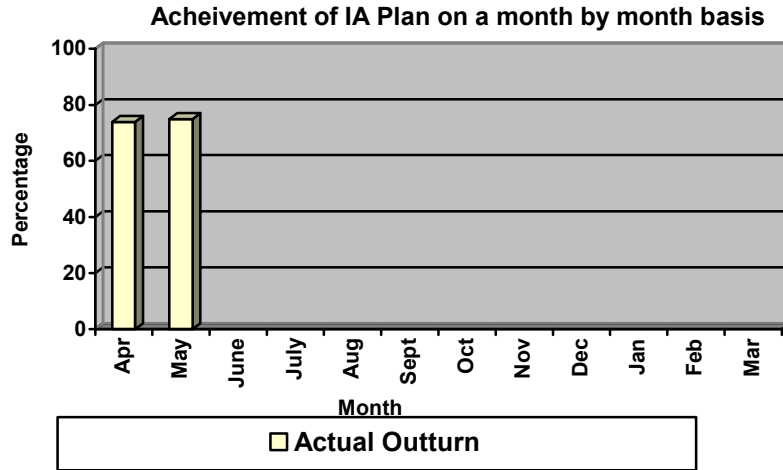
INTERNAL AUDIT WORK: APRIL TO JUNE 2009

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 although attention is drawn to 4. where measures are being taken by management to improve systems of control over Data Security and Removable Media following audits.

2. INTERNAL AUDIT – PERFORMANCE

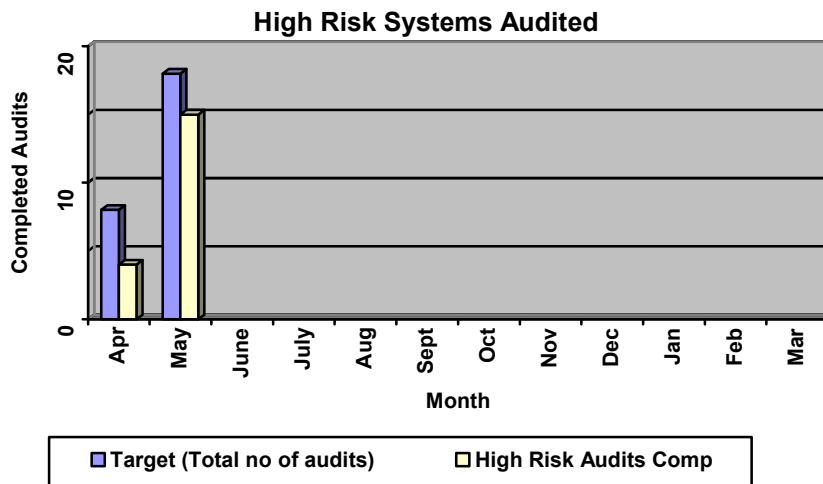
- 2.1. This report summarises the audit work completed between 1 April 2009 and 10 June 2009. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 26 audit reports were produced during this period. 33 high and 31 medium priority recommendations 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 2009 to 10th June 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 75% 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.

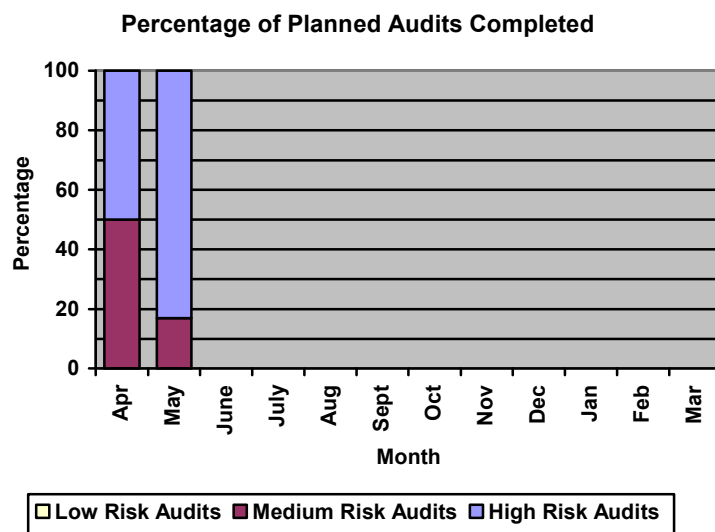
2.2.2. High Risk systems audited as a percentage of total audits completed.

- 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.



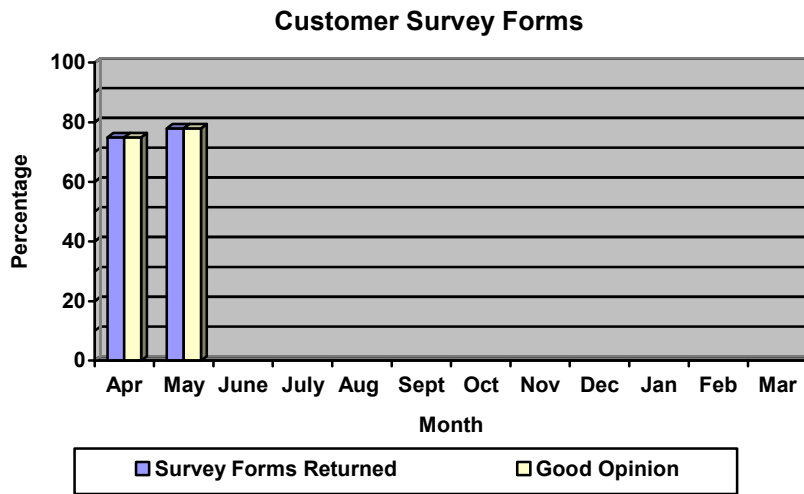
- b. The chart clearly identifies that the number of high risk audits undertaken is a significant proportion of the total number of audits completed each month, and reflects the deliberate policy of the Internal Audit Section to complete as many of these audits as early as possible. Of the 226 high risk audits, which include 113 follow ups, identified in the audit plan, 19 have now been completed representing 50% of the proportionate total. This figure is lower than would be expected however it does not reflect the significant amount of work of this nature that is currently ongoing and is scheduled for completion during June 2009. Once these are included the performance figure remains on target.

2.2.3. Planned audits completed.



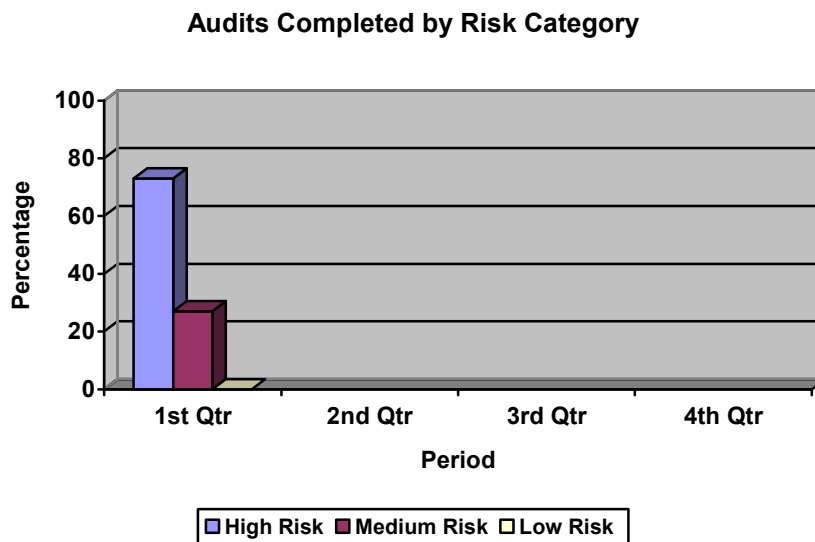
- a. I measure the estimated number of planned audit reports which will be completed each month. It is expected that 561 audit reports including follow ups, some of which relate to the 2008/09 Audit Plan, will be issued this year. To date 26 reports have actually been produced, representing a proportionate figure of 28% of the total number of reports for the period. This figure does not though include a significant number of audits that are currently ongoing and scheduled for completion later this month.
- b. The performance is however below target for this time of the year and is directly related to the ongoing staffing issues which the Section has been experiencing. In addition to this, the loss of a number of members of staff studying for examinations and a number on long term sick leave have effected output. Various measures have been introduced to increase output over this period and a number of job advertisements recently placed in a further attempt to recruit suitably experienced staff.

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 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. 19 audits

representing 50% of the proportionate high risk audits have now been completed and a significant number are currently ongoing. It is anticipated that all of these 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 20010/11 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
Review - FMSIS - Bedford Drive Primary School	13	-
Review - FMSIS - Foxfield School	5	-
Review - FMSIS - Kilgarth School	5	-
Follow Up FMSIS - Town Lane Infants School	2	-
Review – Annual Governance Statement 2008/09	5	-
Review - FMSIS - Gilbrook School	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. ITEMS OF NOTE

- 4.1. Audit reviews have been completed to examine and evaluate the effectiveness of controls in systems in operation over Data Security and the use of Removable Media, covering every department of the Council.
- 4.2. Audit Reports have been prepared for the Information Strategy Group (ISG) that identify findings to ensure that recommended best practice is being complied with and that the risks to the Council are minimised. An Action Plan has been prepared for ISG to help facilitate the implementation of identified recommendations required to effectively identify and manage risks across all departments of the Council, in the following areas:
 - Responsibility for Information Security.
 - Risk Assessments of individual data transfer arrangements.
 - Council Policy and Guidance for the management and storage of data.
 - Relevant Training.
 - Uncontrolled Media (CD's, USB Flash Drives and SD Cards) usage.
- 4.3. Follow up audit work is scheduled for later in the year and Members of this Committee will be notified of the outcome of this and any progress being made to address identified risks.

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

APPENDIX I

INTERNAL AUDIT PLAN 2009/10

WORK CONDUCTED/ONGOING – 1 APRIL to 10 JUNE 2009

1. SYSTEMS

- (a) Finance
 - Liscard One Stop Shop
 - C.Tax Collection & Refunds
 - Student Support
 - Creditors
 - Pensions Administration
 - Risk Management
 - Housing Benefits
 - NNDR
 - Debtors
 - Document Retention

- (b) Law, HR and Asset Management
 - Contracts
 - Corporate Governance
 - Members ICT
 - Car Mileage
 - RIPA
 - Hard to Fill Posts

- (c) Children & Young People
 - Schools
 - Financial Management Standard in Schools
 - Schools – Statement on Internal Control
 - Children’s Centres
 - Instrumental Music Service
 - Social Care Contract
 - Child Protection
 - Contact Point

- (d) Technical Services
 - Final Accounts
 - Capital Contracts
 - Building Control
 - Car Parking
 - Contracts Register
 - Tendering Procedures

- (e) Regeneration
 - Community Patrol
 - Library Book Fund
 - Landlord Accreditation Scheme
 - Environmental Health – Food Safety
 - Environmental Health – Pest Control

- (f) Adult Social Services
 - Charging Policy (PIDA)
 - Deferred Charges
 - Individual Budgets
- (g) Corporate Services
 - Performance
 - Local Area Agreement
- (h) Corporate Systems
 - Corporate Governance
 - Annual Governance Statement
 - Risk Management
 - Performance Management
 - National Fraud Initiative
 - Health and Safety
 - Car Mileage
 - Strategic Change Program
 - Partnerships
 - Complaints

2. **SCHOOLS**

- (a) 14 FMSIS Schools (incl Follow Ups)

3. **ICT**

- (a) Removable Media
- (b) Data Transfer Security
- (c) Schools ICT Governance
- (d) Oracle Account Management
- (e) Network Controls

4. **PERFORMANCE AND BEST VALUE**

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

5. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) CIPFA Anti Fraud Self Assessment Exercise
- (c) Regulation of Investigatory Powers (RIPA)

6. **INVESTIGATIONS**

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

7. **OTHER**

- (a) Wirral Methodist/Family Housing Association's
- (b) 4 Final Accounts (totalling £1million examined)