

ANNUAL INTERNAL AUDIT REPORT 2006/07

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INTERNAL AUDIT ANNUAL REPORT 2006/07

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

- 1.1 This report presents the Internal Audit opinion on key areas of the Council's activity in 2006/07. Audits were conducted during the year to review control systems in compliance with the Accounts and Audit Regulations 2006.
- 1.2 The Audit Plan was compiled on a risk assessment basis that included consideration of the sensitivity and complexity of all risks identified.
- 1.3 The Section has continued to deliver a much valued service during the year whilst at the same time developing many new initiatives to increase efficiency and effectiveness in line with best professional practice.
- 1.4. 209 audit reports were produced for management during the year identifying over 1500 recommendations to improve systems and alleviate control weaknesses.

2. ACHIEVEMENTS

- 2.1. The Section has undergone a further period of significant change during the previous twelve months owing to the constantly changing audit environment both internally and externally, legislative changes and the ever increasing demands placed upon the service resulting from increased expectation levels amongst Chief Officers and clients.
- 2.2. The Section has performed well under very difficult conditions to maintain its very high standard of service delivery during the year and this is reflected in the feedback received.
- 2.3. The changing role and emphasis of the work of the Section however clearly continues to be very well received by clients, the Audit Commission, Members and the Chief Executive.
- 2.4. The Section has continued to comply fully with all aspects of the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2003, and during the final quarter of the year, following publication of the revised CIPFA Code in January 2007, prepared an action plan to implement the many additional requirements. These will be implemented fully during 2007/08.
- 2.5. To comply with the Accounts and Audit Regulations 2006, a Statement on Internal Control for the Council is prepared annually by the Section and included with the Financial Statements. For 2006/07 this includes an

evaluation of the effectiveness of the 'system of internal audit' for Wirral Council.

3. AUDIT PLANNED WORK COMPLETED

3.1 Financial

Most systems were assessed as having satisfactory controls or being capable of achieving satisfactory controls providing the recommendations made following audits, were implemented.

3.2 Performance Management

Audit work has concentrated on reviewing the systems in operation to produce output for measuring performance against targets in accordance with the 'New Deal' approach agreed with the Audit Commission, the Deputy Chief Executive and Chief Officers. The systems in operation are assessed as being adequate and improving, provided agreed recommendations are implemented.

3.3 Comprehensive Performance Assessment/LPSA's

Internal Audit has had significant involvement with the implementation of the CPA, LPSA and LAA initiatives during the year. The control systems in operation have been assessed as being adequate to deliver the performance improvements and achieve the identified targets provided agreed recommendations are implemented effectively.

3.4. Corporate Governance

The overall opinion is that considerable progress has been made by the Authority to implement effective corporate governance arrangements that comply with the principles formulated in the CIPFA/SOLACE Framework. However, some improvements are still required to further enhance the constantly developing governance process and ensure that the arrangements remain effective.

3.5. Risk Management

The overall opinion is that significant progress has been made towards the development of an effective risk management framework within the Authority and the current arrangements are rated as being satisfactory and improving. However, further progress still needs to be made to ensure that the infrastructure remains in place to advance the "risk maturity" and ensure that risk management is completely embedded into the culture of the organisation.

3.6. Anti-Fraud and Corruption

Reviews were conducted of areas where it is known that there are risks of fraud or corrupt practice. Arrangements in place were assessed as being adequate and no material cases were detected, although, assistance was provided on several investigations into cases of irregularity.

3.7. I.C.T.

Following the resignation of the ICT Auditor during the year and the difficulties experienced appointing a successor, the ICT Audit Plan has not been delivered and a limited number of audits have been undertaken in this area. Reviews have included ICT Asset Management, Electronic Social Care Systems and Business Continuity and Disaster Recovery. A replacement ICT Auditor has however now been appointed and a plan prepared for 2007/08.

4. PROBLEM AREAS

- 4.1. The current level of resource is barely adequate to deliver the Audit Plan in its current form and owing to the success in developing the role and increasing expectation levels amongst Members and Chief Officers, already limited resources are at present being stretched.
- 4.2. Extreme difficulties are currently being experienced retaining existing audit staff and recruiting replacements in what is a very difficult employment market.

5. 2007/08 AUDIT PLAN

- 5.1. The 2007/08 Audit Plan has been compiled with regard to all risks to the Authority.

It considerably widens the scope of Internal Audit to comply with legislation and professional best practice and it is proposed make the plan more dynamic, ensuring that planned work is reviewed more frequently following requests for audits and that these are undertaken according to the nature and ranking of the overall risks to the Authority.

INTERNAL AUDIT ANNUAL REPORT 2006/07

2. INTRODUCTION

- 2.1 This report specifies the Internal Audit opinion on key areas of the Council's activity in 2006/07. The audits conducted during the year were principally planned to review financial control systems in compliance with the requirements of the Accounts and Audit Regulations 2006. However significant attention was also paid to many systems of control that were not of a financial nature that included Performance Management, Comprehensive Performance Assessment, Local Public Service Agreements, Corporate Governance, Risk Management and many other aspects of service delivery.
- 2.2 The Audit Plan was compiled on a risk assessment basis that included consideration of the sensitivity and complexity of all risks identified. Client requests, systems being developed and the availability of resources were other factors also taken into account during the year. (Appendix 1A).
- 2.3 The percentage of the planned audit days completed was 82, representing a significant achievement considering that the Section has continued to experience severe problems retaining and recruiting staff during the year and has struggled to replace a total of 4 key members of staff with a combined 30 years auditing experience during the year. However, the target for completion was identified as 90%, the national average and minimum level of achievement normally acceptable to the Audit Commission and this has not been achieved.

The staffing problems identified have required the Section to re-prioritise delivery of the Internal Audit Plan, however it is important to note that all of the business critical and high risk systems identified in the plan for 2006/07 have been audited during the period. It is envisaged that given the limited possibility of augmenting the staff resources in the near future that further re-prioritisation of this nature will be required along with any increases in the efficiency and effectiveness of service delivery that can be achieved through a number of planned new initiatives.

- 2.4 Despite this though, the Section has continued to deliver a much valued internal audit service whilst at the same time developing many new initiatives to constantly increase the efficiency and effectiveness in line with current professional best practice and in direct response to a number of external reviews. Particular attention has been paid to ensuring that the Section complies with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and the International Auditing Standards. The Section has developed structures, policies and procedures to achieve full compliance that includes a new Internal Audit Manual, revised working papers, and an enhanced Quality Assurance programme in line with current best practice. Significant achievements and initiatives developed during the year include:

- (a) The retention of our '4' star CPA self-assessment rating.
- (b) Favourable comment by the Audit Commission, following a review of the service, where the Internal Audit section is described in the main conclusion of the report as "providing an effective service that makes a good contribution to the Council's systems of internal control".
- (c) Over 200 audit reports on systems were produced for management during the year identifying over 1500 recommendations to alleviate control weaknesses in systems examined. Of these more than 300 were found to be of a high-risk nature requiring immediate action.
- (d) A further 11 special management projects were completed at the request of Chief Officers of the Council that resulted in significant improvements in service delivery and performance management systems.
- (e) 59 Schools and establishments were visited and detailed reports produced identifying 350 recommendations to improve systems and remove control weaknesses.
- (f) All 22 Secondary Schools were inspected and assessed for compliance with the Financial Management Standard in Schools of the Education Act 2002.
- (g) 100% of Survey forms returned from a wide a range of customers indicate a positive opinion of the service delivered, which is assessed as always adding value and very often exceeding client expectations.
- (h) A number of high profile ICT audits were conducted during the year that included Asset Management, Security Policy, Disaster Recovery and 1Business.
- (i) Sickness levels have improved over the previous twelve months with a total of 179 days lost for the Section. The average days lost per person was 7 comparing favourably to the target for the Council. The Section also recorded a significant proportion of individuals with a nil absence for the period with nearly 25% of all FTE's.

FTE	25
Staff in Post	22
Days Lost	179
Average Days per person	7
Average Occurrence	1.6

- (j) The qualification and experience mix of staff within the Section is good. Enthusiasm for training and qualifications is high. Many staff have one or more qualifications and those currently studying have already obtained qualifications e.g. A.A.T.,P.I.I.A., H.N.C., Degree etc.

Success in exams were:

- 1 member of staff qualified in C.I.P.F.A.
- 1 member of staff completed C.I.M.A. examinations.
- 1 member of staff completed C.I.P.F.A. certificate level.
- 3 members of staff completed I.I.A examinations.
- 2 members of staff completed A.A.T examinations.

A total of 9 members of staff within the Section are currently studying for C.I.P.F.A, M.I.I.A, QICA, C.I.M.A and A.A.T qualifications with examinations scheduled to take place later this year. The successful completion of these will result in a number of individuals qualifying in their respective professional disciplines.

It is encouraging that such a significant proportion of staff are eager to commit to professional training, however whilst acknowledging the benefits for the Section in the long term some problems are currently being experienced due to the success in this area.

Our experience of late suggests that upon individuals becoming either part or fully qualified they immediately become highly marketable and invariably leave Wirral Council for other similar organisations. This would not necessarily prove to be a major problem under normal circumstances and would almost certainly be expected under the standard recruitment and retention cycle. However, these are trying times and extreme difficulties have been experienced attracting relevantly qualified and experienced replacements in what is a very competitive marketplace.

3. ACHIEVEMENTS

The Section has undergone a further period of significant change during the previous twelve months owing to the constantly changing audit environment both internally and externally where the introduction of the International Auditing Standards and the new CIPFA Code of Practice for Internal Audit in Local Government has had a dramatic impact upon the work of the Section. In addition to this, increasing demands placed upon the service resulting from increased expectation levels amongst Chief Officers and clients has resulted in even greater pressure being placed upon the Section. Changes in legislation and best professional practice has also required the Section to undertake a significant amount of work on behalf of the Council in such areas as Anti-Fraud, Corporate Governance and the production of the Statement on Internal Control and has required some fairly fundamental changes to the way in which the audit service is managed and controlled in these areas. The introduction of the Financial Management Standards in Schools has also had

a major impact on the Section and has involved assessments being undertaken at all Secondary Schools during the year with a further requirement for all Primary and Special Schools to be assessed by 2010.

The increased demands placed upon the Section have undoubtedly caused significant problems for management delivering the service when one considers the resource problems that have been experienced during the year. However, it should be noted that the Section has performed admirably under very difficult conditions to maintain its very high standards and only marginally failed to deliver the target for completion of the Audit Plan, despite a substantial number of additional requests for work being received from the Chief Executive and Chief Officers during the year.

The changing role and emphasis of the work of the Section however, continues to be well received by clients, the Audit Commission, Members of the Audit and Risk Management Committee and the Chief Executive. The Section is now quite clearly viewed in all quarters as a corporate resource that adds value at all levels of the organisation, complies with the recommendations identified in the PWC review of the service, current professional best practice and Audit Commission requirements.

The topics of particular interest are described below:

- (a) The Chief Executive continues to express his extreme satisfaction with the work of the Section and the contribution that has been made during the year to improving financial and management control systems as well as providing advice, guidance and input to many of the key corporate initiatives with which the Council is currently involved.
- (b) The Section has been successful in expanding its role in accordance with PWC and Audit Commission recommendations, professional best practice and the feedback from clients to date has been very positive. The views of Chief Officers and Members continue to be sought at regular programmed meetings with them to discuss the Internal Audit service provided and composition of the Annual Audit Plan.
- (c) Time has been spent this year auditing the systems in operation to produce output for Performance Indicators in accordance with the approach agreed with the Audit Commission, the Deputy Chief Executive and Chief Officers. This approach has involved re-focussing audit resources and has increased the audit emphasis to a more consultative basis throughout the year as opposed to the traditional year end audit.
- (d) Agreement was reached with the Deputy Chief Executive concerning Internal Audit's role in the Comprehensive Performance Assessment, Local Public Service Agreement initiatives and the new Local Area Agreements. Work has been undertaken during the year to review and evaluate progress towards the achievement of these corporate targets and feedback delivered through reports and presentations to various

Corporate Improvement groups at which Internal Audit were represented.

- (e) The Section successfully co-ordinated the National Fraud Initiative 2006. The process for managing this initiative was evaluated by the Audit Commission during the year and found to operating in an effective manner.
- (f) To comply with the amended Accounts and Audit Regulations 2006, a Statement on Internal Control was prepared by the Section to accompany the Authority's Financial Statements. Although the requirement is in the Accounts and Audit Regulations, it has a much wider implication than simply finance, as a review of the whole system of internal control across the Council was required. This year the statement includes an opinion on the effectiveness of the system of internal audit, that is provided by the Deputy Director of Finance following an assessment of the service against the CIPFA Code of Practice for Internal Audit in Local Government. The statement has been prepared in compliance with the 'CIPFA Practitioners Guide' to meeting the requirements of the Act, and as with last years, is more evidence-based with managers required to produce annual assurance statements regarding the internal control systems in operation. This has again proven to be quite resource intensive as the completion of these statements has had to be co-ordinated, evaluated and tested and consequently at times, difficult to manage.
- (g) The automated planning and management system (APACE) that was implemented in the latter part of 2005/06 has settled in well and is now providing officers with more detailed management information on a day to day basis regarding the progress of individual audits and achievement of the audit plan and associated performance targets. This has undoubtedly resulted in an increase in the efficiency and effectiveness regarding how the audit service is managed and delivered. It is planned to further develop this facility during 2007/08.
- (h) Audits have been completed of all business critical systems as agreed with the Audit Commission and include Housing Benefits, Pensions, Payroll and Payments, Council Tax, NNDR and Treasury Management and reports prepared for the relevant clients.
- (i) A total of 59 schools and establishments were visited during the year and reports prepared for Head Teachers and Managers identifying control weaknesses and making appropriate recommendations.
- (j) All of the Council's Secondary Schools were assessed for compliance with the Financial Management Standards in Schools of the Education Act 2002.
- (k) A significant amount of work has again been undertaken by the Section to ensure that the Council continues to implement sound systems of

Corporate Governance. Various audits have been conducted and reports prepared for Chief Officers and the Audit and Risk Management Management Committee, evaluating compliance with the CIPFA/SOLACE guidance, identifying progress to date and any actions required to ensure continued full compliance. Further work has also been undertaken to prepare for the release of the new CIPFA/SOLACE Code on Governance for Local Government due for publication in June 2007.

- (l) Several requests for audits to be completed that were included within the Audit Plan and are of a performance/management nature were received from the Chief Executive and work undertaken as required.
- (m) The Section has retained the contracts for the provision of internal audit services to the Wirral Methodist and Family Housing Associations for a further twelve-month period. The work has been well received and is viewed as adding value to systems in operation.
- (n) The Section has provided input to the process for undertaking major Gateway reviews by the Council. This has involved providing advice and guidance on best practice and compliance with Council and legislative regulations.
- (o) The Section has been involved in a number of special high profile reviews during the period including the Social Services Budget, a prominent local community facility and the Cheshire Lines Building follow up that have required extensive resource and culminated in high level reports being prepared for Members and Chief Officers.
- (p) Extensive work has been undertaken to evaluate the systems in operation to administer the Housing Market Renewal Initiative ensuring that necessary controls were in operation. The work involved examining a number of individual projects within the scheme and testing the effectiveness of controls in operation.
- (q) A major review was undertaken to evaluate the Council systems in place to ensure that the 2003 Licensing Act was implemented effectively.
- (r) Various ICT audits have been completed during the period that includes Asset Management, Electronic Social Care Records, Disaster Recovery and Physical ICT Security Arrangements.
- (s) Input to the risk management process throughout the Council via regular attendance at the Risk Management Forum and direct involvement in the area of strategy revision.
- (t) A number of special projects were conducted following requests from Chief Officers that included Building Security, Recruitment and Selection, Document Retention, Car Schemes and CRB Checks and

various controls evaluated for efficiency, effectiveness and compliance with best practice and reports prepared for Chief Officer's identifying actions for improving systems.

- (u) A number of high profile systems were reviewed that focussed upon the effectiveness of governance arrangements in operation and culminated in reports for Chief Officers that contained significant recommendations to alleviate risks to the Council. These audits included Gifts and Hospitality, Conflicts of Interest, Complaints Procedures, ICT Asset Management and Contract Procedure Rules.
- (v) The Section has provided specialist input to a number of investigations that have been conducted including one involving suspected fraudulent activity by a senior member of staff and another at a local Supported Living scheme identified during a routine audit.
- (w) Forty six final accounts with a total value of nearly £10 million were audited during the year for accuracy, correctness and validity.

4. AUDIT PLANNED WORK COMPLETED

Internal audit work has been undertaken during the year in each of the following areas to comply with the requirements of the Internal Audit Plan and to provide evidence to support the Statement on Internal Control for 2006/07. The Statement has been prepared by the Section for inclusion with the Financial Statements of the Council to comply with the requirements of the Accounts and Audit Regulations 2006. The Statement provides an opinion on the effectiveness of the systems of internal control in operation throughout the Council and identifies significant weaknesses and actions being undertaken to alleviate them. The Section is required to undertake an extensive exercise to ensure that effective evidence to support the opinion is provided by Chief Officers and managers in the form of individual assurance statements and that any disclosures made within are adequately and independently tested. This year for the first time the Council is required to provide comment regarding the effectiveness of its 'system of internal audit'. This has been provided by the Deputy Director of Finance following a detailed assessment of the internal audit service against the 'CIPFA Code of Practice for Internal Audit in Local Government 2007', direct feedback from clients and the findings of external assessments.

- (a) Financial Control
- (b) Performance Management
- (c) Corporate Governance
- (d) Risk Management
- (e) Anti-Fraud and Corruption
- (f) ICT

4.1 Financial Control

An extensive programme of reviews of financial systems in Departments, Schools and other establishments was completed, together with a significant amount of consultancy requested by clients to assist them in their work.

<u>System</u>	<u>Opinion</u>
Council Tax	Good
Housing Benefit	Satisfactory
Debtors	Satisfactory
Creditors	Less Than satisfactory
Payroll	Satisfactory
NNDR	Satisfactory
Pension Fund	Satisfactory
Treasury Management	Less Than Satisfactory
Cashiers	Good
Schools	Satisfactory

The majority of systems were assessed as having satisfactory controls or being capable of achieving satisfactory controls providing the recommendations made following audits, were implemented.

It should be noted that the opinion provided for the Creditors System is as a direct result of a number of problems experienced during the transfer from the old creditors system to the new one, when a significant number of invoices were paid twice. Substantial work has since been undertaken within all departments to address the problems identified, recover any monies paid in error, and ensure that sufficient controls are in place to prevent any recurrence of this.

The low assessment for the Treasury Management system is as a consequence of one significant weakness identified during the audit that has subsequently been addressed by management.

4.2 Performance Management

Audit work has concentrated on reviewing the systems in operation to produce output to measure performance against targets in accordance with the 'New Deal' approach agreed with the Audit Commission, Deputy Chief Executive and Chief Officers. This work has been conducted during the year rather than as an end of year verification exercise; although a sample of high risk Performance Indicators were selected for testing following work undertaken by our colleagues in Corporate Services. Overall, systems are assessed as being adequate and improving, provided all recommendations are implemented effectively.

In addition Internal Audit has spent time in conjunction with Corporate Services organising and delivering a series of seminars for managers and

lead officers identifying best practice and advising of the requirements of this initiative.

4.3 Comprehensive Performance/Local Public Service Agreements

Internal Audit has again had a significant involvement with the implementation of the CPA initiative during the year. The service was represented on a number of corporate improvement groups and worked very closely with colleagues in Corporate Services to review and evaluate progress towards the achievement of agreed corporate targets. Senior management from within the Section will continue to be available for any further work of this nature during 2007/08.

All Local Public Service Agreement targets completed were audited during the year and baseline data evaluated for accuracy, validity and relevance. All discrepancies identified were discussed with management and appropriate actions taken to address system weaknesses and incorrect data.

Overall, the control systems in operation have been assessed as being adequate to deliver the required performance improvements and achieve the identified targets, provided all agreed recommendations are implemented effectively and within the timescale.

Audit work was also undertaken on the Local Area Agreements with the Section providing comment on the Pump Priming Finance Guidance and Stretch Targets. The overall opinion reached concerning the effectiveness of the systems currently in operation is that they are adequate for the purpose and improving in line with best practice.

4.4 Corporate Governance

A review of the Corporate Governance arrangements in operation at Wirral Council has been completed and reports prepared for the Chief Executive and Chief Officers identifying progress to date and recommending actions to be taken in respect of specific weaknesses in systems of compliance. The findings and agreed actions to alleviate weaknesses identified will be reported to the Audit and Risk Management Committee in June 2007.

The overall opinion is that current systems are satisfactory and that considerable progress continues to be made by the Authority to implement effective corporate governance arrangements that comply with the principles formulated in the CIPFA/SOLACE Framework. However, some improvements are still required to enhance the governance process and ensure that the arrangements remain effective and comply with the new 'Code for Delivering Good Governance in Local Government', due for release in June 2007.

In addition to this, the Section is active at a strategic level with the Chief Internal Auditor representing the Section on the Council's Corporate Governance Group.

4.5 Risk Management

Work has been undertaken throughout the year to assess the implementation of the Risk Management Framework within all departments and confirm the implementation of recommendations to mitigate risks identified previously. As this is a continuous process more work of this nature is scheduled for 2007/08.

The overall opinion of the framework, assessed against the CIPFA five point recommended risk maturity model is a mid point score of 'Risk Defined' with good prospects for improvement. It is acknowledged that significant work is being undertaken in this area at the moment, specifically in relation to the Risk Management Strategy and further progress needs to be made to complete this and many of the other initiatives underway. This should ensure that the infrastructure remains in place to advance the risk maturity and embed risk management completely into the culture of the organisation.

4.6 Anti-Fraud and Corruption

Reviews were conducted of areas where it is known that there are risks of fraud or corrupt practice i.e. creditor payments and contract awarding. No material cases were detected, but assistance was provided on several investigations into cases of irregularity.

The Audit Commission National Fraud Initiative (NFI) was undertaken during the year and co-ordinated at Wirral by Internal Audit. A considerable number of data matches from a variety of sections and departments were investigated and reports prepared for Chief Officers and Members. The NFI exercise for 2006/07 was expanded and included additional data for matching relating to creditors and private care homes.

Work undertaken to appraise the accounts of an organisation trading with the Council led to the cessation of contracts and a restriction of this firm being considered for specific contracts.

Work has also been undertaken during the year to ensure that the Wirral Council Anti Fraud and Corruption Policy and Fraud Investigation Plan have been drawn to the attention of all relevant parties and their requirement to comply and take any appropriate actions underlined.

4.7 ICT

Following the resignation of the ICT Auditor during the year and the difficulties experienced appointing a successor, the ICT Audit Plan has not been delivered and a limited number of audits have been undertaken in this area. Reviews have included ICT Asset Management, Electronic Social Care Systems and Business Continuity and Disaster Recovery plans and reports prepared for the relevant Chief Officers and Members.

A new ICT Auditor was appointed in February 2007 and the ICT Audit Plan for 2007/08 prepared in line with current best professional practice. The team now has a full complement of staff and is scheduled to deliver the plan in its entirety during the forthcoming year.

5. PROBLEM AREAS

5.1 The continued development of the Internal Audit role to comply with best professional practice, the new CIPFA Code of Practice, the requirements of the International Auditing Standards and the amended Accounts and Audit Regulations is very wide-ranging and given its nature has not been achieved without some difficulty. Changing the culture and perception of Internal Audit amongst officers throughout the Council has not been an easy task. However, the feedback from Chief Officers has been very positive and audit involvement in some of the more non-traditional audit areas has been very much welcomed. The staff are extremely enthusiastic and have excelled in this new environment, however as with any change there have been some difficulties experienced mainly in the following areas:

- (a) The current level of staffing resource is barely adequate to deliver the annual Internal Audit Plan in its current form and owing to the success that management have had in developing the role, expectation levels amongst Members and Chief Officers has increased dramatically. This has, and will continue to stretch already limited resource to the point where some of the more traditional audits begin to suffer. We have over the previous twelve months, with the agreement of the Audit Commission, been able to re-prioritise the Audit Plan to accommodate all the new demands. In an attempt to manage this in the future, it is proposed to review the planned work on a more frequent and dynamic basis and make decisions regarding the delivery of specific audits based on the immediate risks associated. This process will continue to require the ongoing involvement of the Audit and Risk Management Committee, the Section 151 Officer, Chief Officers and the Audit Commission.
- (c) The Section is still experiencing severe problems retaining existing staff in the current environment and where once this might not have been a significant problem on account of the availability of replacement staff, this is not currently the case. The marketplace for internal audit staff is currently extremely difficult and the Section is losing more staff than are currently being replaced. To compound the problem the Section is in a

position where it is losing staff to neighbouring Authorities who view Wirral Council staff as extremely marketable due to our recognised high performance. If this situation continues then it will undoubtedly impact upon the Section's ability to deliver the Audit Plan for 2007/08 and more re-prioritisation of work as identified in 5.1 (a) will be required.

6. 2007/08 AUDIT PLAN

- 6.1 The 2007/08 Audit 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 Risk Register

Views of Chief Executive, Chief Officers and Members

Independent review of Committee reports

Views of internal and external auditors

As the Section is now receiving an ever increasing number of requests during the year for 'high risk' complex audits to be undertaken it is proposed to continue to increase the effectiveness and efficiency of the Section through the increased utilisation of new technology and working methods that will assist the more timely delivery of these audits. In addition to this, it will almost certainly be necessary to ensure that the plan delivery is 'dynamic' by nature, reviewing planned work more frequently following requests for work and undertaking audits according to the nature and ranking of the risks to the Authority.

The Audit Plan for 2007/08 was prepared and approved by the Audit and Risk Management Committee in March 2007 (Appendix 1B).

- 6.2 Emphasis will be placed on the main Financial Management Systems of the Council, production of the Statement on Internal Control, Performance Management systems, Local Area Agreements, Management Projects and systems identified by Chief Officers as being high-risk areas. Also included are the Corporate Governance arrangements in operation as detailed in 6.4 below.
- 6.3. The Section will ensure that adequate resource is made available within the plan to enable Wirral Council to comply with the requirements of the revised Education Act, specifically the Financial Management Standards for Primary and Special Schools which must be fully implemented by March 2010. The Act has considerable resource implications for the Section and consequently a Cabinet report has been prepared on this by the Director of Finance identifying the full implications and requesting additional resource as appropriate.

- 6.4. Corporate Governance systems and procedures will also remain a priority ensuring that not only does the Council have effective corporate governance arrangements in place but that the workforce are aware of the requirements and comply fully with all relevant policies, procedures and guidance. This will be achieved by undertaking audits across the six corporate governance principles identified in the new CIPFA/SOLACE Framework for Delivering Good Governance in Local Government, and through active involvement at a strategic level via the Council's Corporate Governance Group.
- 6.5. The revised approach to auditing Management Performance developed in conjunction with colleagues in Corporate Services will continue to be delivered following the success of this initiative during 2006/07 and the reduced pressure that this approach places upon existing resources.
- 6.6. Additional work is again scheduled for those systems where fundamental changes in service delivery are proposed following corporate initiatives such as 1Business and any Departmental re-structuring that has been undertaken. Audits are planned to be completed to verify that sufficient controls are in operation to mitigate any risks associated with large projects and developments of this nature.
- 6.7. Major ICT control and management audits scheduled include reviews of Disaster Recovery arrangements in operation following the external consultant's report and action plan, the preparedness of the Council for the implementation of the Government Connect initiative, the effectiveness of Network Controls currently in operation and the efficiency of the Software Licensing systems in place and compliance with them by the workforce.
- 6.8. Further development of ICT in the audit process is planned for 2007/08 that includes the increased automation of many manual processes, further utilisation of the audit planning and management system (APACE) for preparing working papers and more utilisation of specialist auditing software which should ensure that the effectiveness and efficiency of the audit service increases dramatically and continues to be of a very high quality.
- 6.9. Audits are scheduled to be undertaken to evaluate the effectiveness of the developing Risk Management Framework following on from work undertaken during 2006/07.

David A Garry
Chief Internal Auditor

INTERNAL AUDIT PLAN 2006/07 – OUTTURN SUMMARY

	Outturn Days
1 MAIN FINANCIAL SYSTEMS	547
2 CORPORATE RISK	531
3 PERFORMANCE MANAGEMENT REVIEWS	139
3.1 BVPI	55
3.2 CPA	12
3.3 LPSA	72
4 SYSTEMS/REGULARITY REVIEWS	1446
4.1 Corporate Services	210
4.2 Education and Cultural Services	202
4.3 Regeneration	269
4.4 Technical Services	257
4.5 Finance	348
4.6 Social Services	160
5 ESTABLISHMENTS	859
5.1 Schools	659
5.2 Other Establishments	201
6 I.C.T.	411
7 CONSULTANCY/SPECIALIST AUDITS	242
8 CONTRACTS - Other Organisations	67
9 CONTINGENCY	85
10 DEVELOPMENT/TRAINING	390
11 ADMIN SUPPORT	122
<u>TOTAL CHARGEABLE DAYS</u>	4839
<u>STAFFING [F.T.E.]</u>	23

FINANCIAL REVIEWS
MANAGEMENT REVIEWS

60% of Resources Available
40% of Resources Available

Internal Audit Plan Summary 2007-2008

		Audits	Estimate Days	
1.	CORPORATE RISK			759
1.a.	Corporate Governance	11	143	
1.b.	Risk Management	1	43	
1.c.	Anti Fraud	18	256	
1.d.	Statement on Internal Control	7	118	
1.e.	Works Contracts	84	199	
2.	PERFORMANCE			308
2.a.	Performance Management	2	85	
2.b.	Comprehensive Performance Assessment	1	30	
2.c.	Local Area Agreements/LPSA	8	30	
2.d.	Projects	4	163	
3.	DEPARTMENT SYSTEMS			1967
3.a.	Adult Social Services	9	284	
3.b.	Children and Young Peoples Services	4	149	
3.c.	Corporate Services	14	202	
3.d.	Finance	60	698	
3.e.	Regeneration	34	443	
3.f.	Technical Services	8	191	
4.	I.C.T.	14		409

5.	EXTERNAL CONTRACTS	47		428
6.	DEVELOPMENT/TRAINING			522
	<u>TOTAL AUDITS PLANNED</u>	326		
	<u>TOTAL CHARGEABLE DAYS</u>			4393