

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

18 JANUARY 2010

REPORT OF THE CHIEF INTERNAL AUDITOR

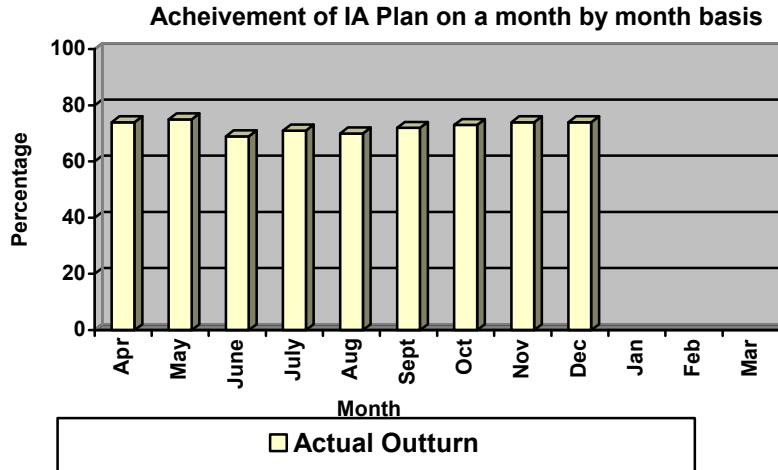
INTERNAL AUDIT WORK: NOVEMBER TO DECEMBER 2009

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.

2. INTERNAL AUDIT – PERFORMANCE

- 2.1. This report summarises the audit work completed between 1 November 2009 and 31 December 2009. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 52 audit reports were produced during this period. 56 high and 42 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 to 31st December 2009:
 - 2.2.1. To ensure that 90% of the Internal Audit plan is completed by the 31 March 2010.

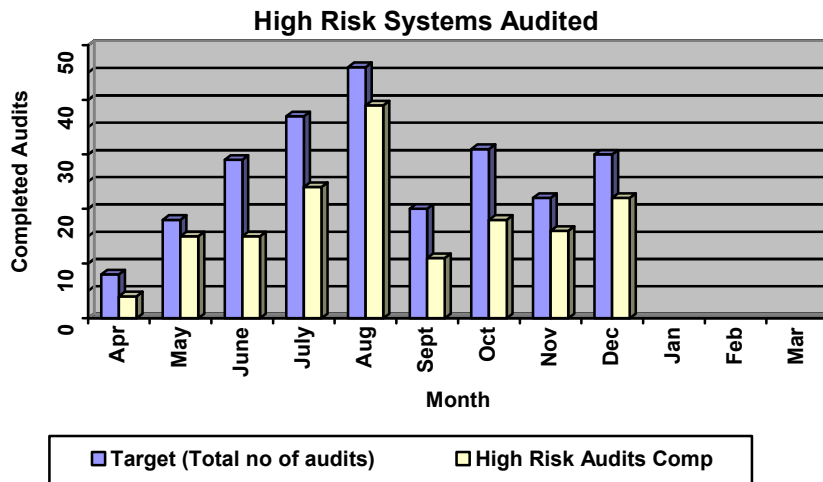


- a. This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the audit plan. For the year to date achievement has averaged 74% against a target of 90%. This is primarily as a result of staffing resource problems experienced during the year. However, 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, intermediate, medium or low priority. It is essential that all of the high risk audits are completed in the year.

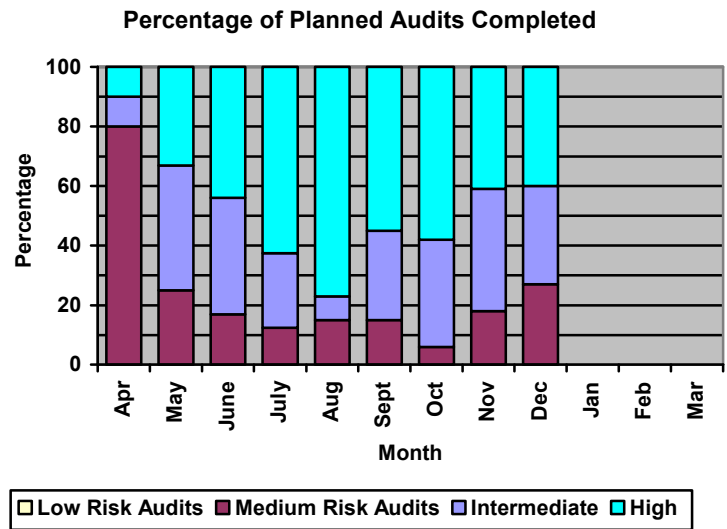
2.2.2. High Risk systems audited as a percentage of total audits completed.

- 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.



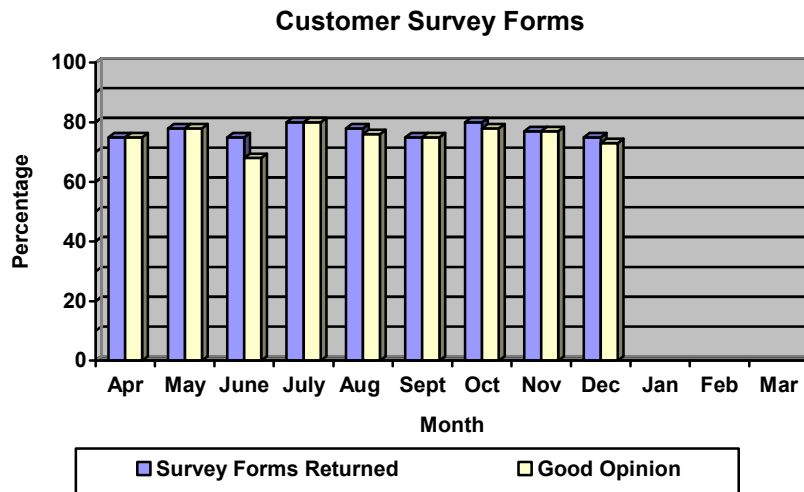
- b. The chart clearly identifies that the number of high risk audits undertaken is a reasonable proportion of the total number of audits completed at this stage of the year. The policy of the Internal Audit Section is to complete as many of these audits as early as possible, however for operational reasons a significant number of these audits cannot actually be completed until later in the year. Of the 113 high risk audits identified in the audit plan, 58 have now been completed representing 65% of the proportionate total and the Section has audits scheduled for the remainder of the year to ensure that it achieves the target of completing all of these audits by the year end.

2.2.3. Planned audits completed.



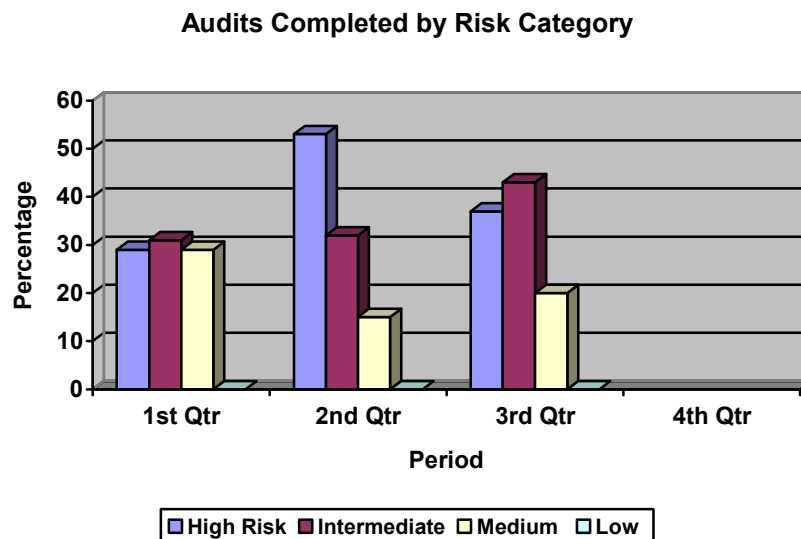
- a. I measure the estimated number of planned audit reports which will be completed each month, subject to variances arising from the changing dynamics of the Audit Plan, including requests from Chief Officers and Members for additional work. With a full complement of staff for the year it is expected that over 300 audit reports plus follow ups, some of which relate to the 2008/09 Audit Plan, will be issued. To date 171 reports have actually been produced. This figure does not though include a significant number of audits including follow ups that are currently ongoing and scheduled for completion later this period.
- b. The performance is however slightly below target for this time of the year and is primarily related to a number of staffing issues that the Section has experienced during the year. Various measures have been introduced to increase output during this time as well as numerous attempts to recruit suitably experienced staff, with some success, to ensure that the Section is able to achieve a significant proportion of the Audit Plan by the year end.

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 clearly demonstrates that whilst it is the deliberate policy of the Internal Audit Section to ensure that all high and intermediate risk audits are completed during the year, as it is essential to the well being of the Council to address risks in these

areas, it is not always possible to complete all of this work during the early part of the year. Due to a number of factors including systems that can only be audited at the year end and the differing needs of the clients it has not been possible to focus exclusively on these audits and consequently a significant number of medium risk audits have also been completed over the period. It is anticipated that all of the high and intermediate audits 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
Managing Fraud Audit	9	-
Community Legal Service Review	2	-
File Transfer/Batch Payments Review	7	-
Pensby High School – FMSIS Review	3	-
DASS Individual Budgets / Direct Payments Review	3	-
NNDR Recovery	1	-

Pensby High School – Audit Review	15	-
St Anselms College – Audit Review	2	-
* CYPD Car Mileage Claims Review	1	-
ICT Change Programme – Business Continuity	1	-
New Brighton Children’s Centre - Final Account	1	-
Park High School - FMSIS Review	4	-
Park High School – Audit Review	5	-
Tender Control and Opening	1	-
* Instrumental Music Service	6	-

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/EQUALITY IMPACT ASSESSMENT**

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 NOVEMBER to 31 DECEMBER 2009

1. SYSTEMS

- | | |
|----------------------------------|--|
| (a) Finance | <ul style="list-style-type: none">- NNDR- Council Tax- File Transfer/Batch Payments- Pensions Benefits & Payroll- Cashiers- Health and Safety- Housing Benefits- Pensions Investments- Debtors- Procurement- Income Control- Insurance- Manual Cheques |
| (b) Law, HR and Asset Management | <ul style="list-style-type: none">- Corporate Governance- Electoral Registration- Payroll- Health and Safety- Coroners- Tender Control and Opening |
| (c) Children & Young People | <ul style="list-style-type: none">- Schools- Financial Management Standard in Schools- Children's Centres- Schools – Statement on Internal Control- Contact Point |
| (d) Technical Services | <ul style="list-style-type: none">- Final Accounts- Capital Contracts- HESPE Team |
| (e) Regeneration | <ul style="list-style-type: none">- Williamson Art Gallery- Library Book Fund- Wirral Homes |
| (f) Adult Social Services | <ul style="list-style-type: none">- Charging Policy (PIDA)- Health and Safety- Individual Budgets/Direct Payments |

- (g) Corporate Services
 - Local Area Agreement
 - Performance Management
 - Tourism and Marketing
- (h) Corporate Systems
 - Corporate Governance
 - Annual Governance Statement
 - Risk Management
 - National Fraud Initiative
 - Health and Safety
 - Car Mileage
 - Strategic Change Program

2. **SCHOOLS**

- (a) 4 FMSIS Schools (incl Follow Ups)
- (b) 5 Schools audited

3. **ICT**

- (a) Change Program
- (b) File Transfer
- (c) Schools ICT Governance
- (d) Data Protection
- (e) Corporate Back Ups
- (f) BACS
- (g) Paperless Billing

4. **PERFORMANCE AND BEST VALUE**

- (a) Local Area Agreements Reward Targets
- (b) Performance Indicator's

5. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) CIPFA Anti Fraud Self Assessment Exercise
- (c) Audit Commission - Protecting The Public Purse Self Assessment Exercise
- (d) IDEA Payroll Testing
- (e) Creditor Payments Exercise

6. **INVESTIGATIONS**

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

7. **OTHER**

- (a) Wirral Methodist/Family Housing Association's
- (b) 5 Final Accounts (totalling £1.3 million examined)