

Appendix 1.

Recommendation	Priority 1 = Low 2 = Med 3 = High	Director of Finance Comments	Date of Final Implementation	Progress of Implementation
<p>R1 Strengthen the independence of internal audit</p> <ul style="list-style-type: none"> <li>• Review the structure of the Internal Audit department and in particular management and reporting lines and ensure it is shown on the Council's organisation chart.</li> <li>• Consider the results of the IA survey in relation to independence.</li> </ul>	2	<p>The structure of Internal Audit (IA) is continuously reviewed. See also R4 below. We shall show IA on the Council's organisation chart at the next review of the Constitution.</p>	30/6/2010	<p>The Department intends to recruit graduates to train as CIPFA accountants and several of these will be deployed in Internal Audit to increase the staff resource. Other suitable staff will be seconded to Internal Audit when possible. This recruitment process is in hand and will involve adverts being placed to coincide with the academic year, and the release of professional examination results in June 2010.</p>
<p>R2 Strengthen arrangements for ensuring ethical standards are met</p> <ul style="list-style-type: none"> <li>• Consider the results of the survey in respect of improving trust and confidence.</li> <li>• Improve internal audit knowledge of:</li> <li>• the organisation's aims, objectives, risks and governance arrangements.</li> <li>• the purpose, risks and issues of the service area.</li> </ul>	2	<p>We consider the ethics of Internal Audit staff are excellent and their knowledge the service areas and the Council's aims as whole are good. It always possible to improve knowledge. The Deputy Director met all staff individually as part of a series of departmental roadshows during Summer /Autumn 2009 to explain organisational aims and objectives. This is also an integral part of corporate and</p>	30/6/2010	<p>All Internal Auditors are reminded of their ethical responsibilities on a regular periodic basis, however following the Audit Commission comments all staff have again been reminded via the team briefing process.</p> <p>In compliance with standard procedures Internal Audit</p>

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		<p>departmental induction processes. All audit staff are involved in the development of the Annual Internal Audit Section Plan which supports the Corporate and Departmental Plans. Consequently, all Audit staff are aware of Corporate aims and objectives. Audit staff will be encouraged to continue to build effective working relationships with services, whilst retaining independence. All audit managers attend service department management meetings, initially as part of the planning process, We shall develop this, with a view to acquiring more detailed knowledge of the service, as part of the implementation of the 2010/11 Plan.</p>		<p>Managers have liaised in detail with Departmental Management Teams and all internal audit staff to complete the draft Internal Audit Plan for 2010/11. This has involved consideration of the Authority's aims, objectives and risks.</p>
<p>R3 Carry out an annual review of the effectiveness of the Audit and Risk Management Committee to demonstrate how it has strengthened the Council's control environment.</p>	2	<p>Already undertaken. As considered by the Audit and Risk Management Committee (A&amp;RMC) on 29 June 2009, the Chair – on behalf of the Committee – had undertaken an evaluation of the role and effectiveness of the A&amp;RMC as part of the annual Review of the System of Internal Audit. This process was enhanced by the A&amp;RMC which endorsed a report on the actions resulting from the evaluation on 25 November 2009.</p>	30/6/2010	<p>The report to Cabinet on the work of the ARMC at the end of the Municipal year will include an assessment of how the Council's control environment has been improved by its work.</p>

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		A&RMC further resolved that a formal report on its work and performance be undertaken for submission to Cabinet at the end of the municipal year.		
R4 Review the organisational structure and staffing of Internal Audit to ensure that it is at an appropriate level to give a safe opinion to management and members on the control environment.	3	Financial resources will always limit the ability to achieve ideal structures in all sections. The Audit Plan is dynamic and is subject to amendments as further risks, which may affect the 'safety' of the assurance opinion, are identified. The Plan, taking into account the whole of the identified risk environment – is reported to and monitored by A&RMC. As is clearly stated in each Internal Audit Work Report, "it is the deliberate policy of the Internal Audit Section to ensure all high and intermediate risk audits are completed during the year". Current staffing levels enable this, however it is subject to continuous review and reporting, and the associated risks are managed accordingly. Adequate staffing is also needed to conduct other work that is valuable to the Council.	30/3/2010	The draft Internal Audit Plan for 2010/11 has been prepared and as with previous years the staffing is considered adequate to enable a safe opinion on the control environment to be given to management and Members.  Vacancies in the section are currently being advertised.
R5 Review the factors that may be hindering the	2	Job Evaluation being conducted by HR.	30/6/2010	All staff who have previously left have indicated their

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recruitment and retention of appropriate staff.				<p>reasons were for career development and increased salary.</p> <p>The Job Evaluation exercise to be conducted by HR is due to commence shortly.</p>
<p>R6 The CIA should strengthen the approach to determining the strategy and risk based planning to focus on including work in the plan to ensure he can demonstrate how he meets his responsibility to provide a safe opinion to the organisation on the control environment. The planning process should take account of:</p> <ul style="list-style-type: none"> <li>• the adequacy and outcomes of the organisation's risk management.</li> <li>• performance management and other assurance processes.</li> <li>• Internal Audit's independent risk assessment.</li> <li>• stakeholders' views - they should be consulted on the draft plan - but should not determine it.</li> <li>• the resources required to deliver the strategy and plan.</li> </ul> <p>The Plan should differentiate between assurance and other work.</p>	3	<p>We agree the principles of the planning process outlined in the recommendation. However, the current planning process does take account of the issues listed and we shall consider how it can be improved during the current planning process. Consideration will be given to revising the presentation of the Audit Plan to highlight the work to enable an opinion on the control environment to be given.</p> <p>The Plan is already prioritised. See also R4.</p>	31/3/2010	<p>As in previous years, and in compliance with standard agreed procedure, the draft Internal Plan for 2010/11 has been prepared after consultation with the ARM Committee, the Audit Commission and a review of Plans and reports produced by other authorities which they considered as following "best practice". Several of the elements of those Plans have been adopted. We have made clear that the draft Audit Plan for 2010/11 consists of those risks which we consider need to be assessed to enable us to give a full and safe opinion on the whole control environment of the Council. If resources do not permit the whole of the</p>

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				Plan to be completed, it will only be possible to deliver a "qualified" opinion.
R7 Ensure key issues are consistently brought to the attention of the relevant manager during assignments to enable them to take corrective action and to avoid any surprises at the end of the audit.	1	There are no cases of failure to draw such matters to manager's attention but will develop working papers to record occasions when such action is taken.	31/3/2010	All Internal Audit staff have been reminded of the need to identify such situations and respond in accordance with the recommendation although we are unaware of any evidence to suggest that this well embedded procedure is not being complied with at all times by audit staff.
R8 Spread good practice with regard to testing schedules, such as those used in the "payroll procedures" file.	1	Testing schedules are part of the standard working papers in Internal Audit. They will be reviewed to ensure best practice is consistently followed.	31/3/2010	All staff have been reminded of the "good practice" in relation to testing schedules, although again we are unaware of any evidence to suggest that this well embedded procedure is not being complied with at all times by audit staff.
R9 Consider what training is required to improve auditor consideration of evidence, audit skills and judgement.	2	We consider audit skills level in all aspects to be high but always seek to improve.	31/3/2010	Any need for training concerning evidence, audit skills and judgement will specifically be considered in forthcoming Key Issue Exchanges as is the case every year. We are unaware of

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				any evidence to suggest that this corporate system is not operating efficiently and effectively within the section.
R10 Review the format of and information contained in the Annual Report to clearly show the actual work completed against the planned work, differentiate between assurance and other work and how quality targets have been met.	2	All Annual Reports have been well received by all stakeholders. They will be consulted on possible improvements as part of the review.	30/6/2010	The Annual Reports of other comparable organisations will be reviewed and Wirral's enhanced in accordance with any possible improvements identified, subject of course to the views of the ARM Committee, and the recommendations of the Audit Commission .
R11 Ensure all reports are quality assured before being finalised and reported to members.	2	All Committee reports from Internal Audit are quality assured by the CIA, Deputy Director and Director of Finance. Depending upon the content, other officers and Directors conduct quality assurance as well. Consideration will be given to any possible improvements.	31/3/2010	All Committee reports will be vigorously quality assured and their contents agreed by all appropriate officers. We are however unaware of any evidence to suggest that this well embedded procedure is not being complied with at all times by relevant individuals.
R12 Ensure adequate supervision and review of all work.	2	All work is supervised and reviewed as appropriate but all managers will be reminded concerning documentation of reviews.	31/3/2010	All managers in Internal Audit have been reminded of the need to record and document supervision, in accordance with

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				the sections policy and procedure, particularly that conducted as audits are in progress. We are unaware of any evidence to suggest that this well embedded procedure is not being complied with at all times by audit staff.