

**Wirral Council  
Internal Audit Service**

**Annual Internal Audit Report  
2009/2010**

**June 2010**

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# 1 Introduction

## **Purpose of This Report**

- 1.1 As part of Wirral Council, the Internal Audit Service is an assurance function that primarily provides an independent and objective opinion on the adequacy of the organisation's control environment. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom requires the head of internal audit to provide a written report to those charged with governance, timed to support the Statement on Internal Control – now subsumed into the Annual Governance Statement – which includes an opinion on the overall adequacy and effectiveness of the organisation's control environment. This report presents my opinion based upon the work the Internal Audit Service has performed.
- 1.2 This report covers the period 1 April 2009 to 31 March 2010 and is timed to support the Annual Governance Statement for that year.
- 1.3 The scope of our work, management and audit's responsibilities, the basis of the assessment, and access to this report are set out in Appendix A to this report.

## **Interim Reports**

- 1.4 This report builds on the matters reported previously, which remain relevant and have been the subject of discussions throughout the year with the Chief Executive, Chief Officer's and individual senior management teams.
- 1.5 I have also reported summaries of the key areas of our work to the Audit and Risk Management Committee as they have been completed.

David A Garry  
Chief Internal Auditor  
Wirral Council

## 2 Summary Assessment

### Overall Opinion

- 2.1 On the basis of our programme of work for the year, I can conclude that the Council's internal control environment, risk management process and corporate governance, taken as a whole are **adequate and generally effective**. I have identified individual themes that present limited exceptions to this broad conclusion, and have set these out below.
- 2.2 Whilst recognising that there are control issues which need to be addressed, our work during the year has identified good areas of effective control and the Council continues to operate well in a very challenging environment.

### Key Issues and Themes

- 2.3 The Council's agenda has been challenging for some years and will remain so for the foreseeable future. This is due to changes in legislation, policy, and structural changes within the Council and its partners that have been in hand for a number of years. It is also due to the increasingly difficult economic situation. It is expected that the Council's funding situation will be tight as local communities place increasing demands on Council's services.
- 2.4 The Council is highly regarded and continues to achieve a lot, providing valuable services to a large and diverse community. However, much will be required of staff at a time when many will be concerned for their job security and when many are under pressure arising from the changes already in hand. It will be vitally important to ensure that the Council's most basic financial and operational controls are robust, consistent, widely understood and consistently applied.
- 2.5 I have previously reported my concerns regarding the lack of consistently documented and communicated controls and the resulting lack of consistency in the controls operated between departments and even within individual departments and service areas. It is to be expected that the benefits available from the integration of the Human Resources and Payroll functions, and from the implementation of the Strategic Change Programme will be fully realised in the not to distant future.
- 2.6 There is a pressing need to ensure that sufficient focus is given to the Council's on-going activities and its infrastructure as well as in the areas subject to the greatest change. This will be particularly relevant to the information and technology systems infrastructure, which is expected to underpin much of the Council's work and efficiency savings in the near future.
- 2.7 Increasing demands are being placed on the Council's services by the changing national agenda, the strategic change programme, customer access strategy and many other similar initiatives and developments

scheduled. Service specific drivers will undoubtedly require significant enhancements to be made to key service-specific applications and service deliverers must continue to adapt and develop to ensure that they can sustain these services.

- 2.8 Additional information and a short summary of all our work for each area of the Council is provided in section 3.

### **Implications for the Annual Governance Statement**

- 2.9 In making its Annual Governance Statement the Council considers the Chief Internal Auditors opinion in relation to its internal control environment, risk management processes and corporate governance. The Annual Governance Statement will therefore refer to the need for further work to implement and ensure compliance with consistent control policies and procedures across the Council.

### **Implications for the review of the effectiveness of the System of Internal Audit**

- 2.10 The Council is required by legislation to undertake an annual review of the effectiveness of its system of internal audit and to report the findings of this review to the audit committee. Since the term "system of internal audit" does not have a commonly understood meaning, the Technical Audit Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance which defines it as:

*"The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation."*

- 2.11 This guidance regards the head of internal audit as central to this framework of assurance and requires them to acquire an understanding of both the Council's risks and its overall control environment and also of the sources of assurance available to it.
- 2.12 As we have implemented the audit plan during the year we have taken into consideration the assurance also provided to the Council by external bodies, including the Audit Commission, Ofsted, the Care Quality Commission, the Office of Surveillance Commissioners and various other external bodies.
- 2.13 The Audit Commission's most recent Comprehensive Performance Assessment scorecard for Wirral notes that this is a Council that is improving adequately and demonstrating a 3 star overall performance.

### **3 Summary of Internal Audit Work Undertaken**

- 3.1 In forming my opinion on the Council's internal control environment, risk management process and corporate governance, I have considered the work undertaken by the Internal Audit Service throughout the year (as well as, to a more limited extent, that of external providers of assurance) and I have set out below short summaries of the reports we have made to individual service areas within the Council.

#### **Management's Responses to our Findings**

- 3.2 Each of the issues I have set out in this report has been discussed with the relevant management teams as well as with the Chief Executive and Chief Officers. Action plans have been agreed and actions are already being taken; the Internal Audit Service will follow up our findings during the course of 2010/11 and provide further support to managers to implement pragmatic solutions to the control issues identified.

#### **3.A. Cross-Cutting Issues**

- 3.3 The Council's risk management process is continuing to develop well, with an increasing understanding amongst the senior management teams of what is required in practice. The Council has adopted a pragmatic approach to risk management, although the corporate Risk and Insurance Manager is well aware that there is a need for more widespread ('embedded') understanding of the Council's approach within all levels of management.
- 3.4 A fundamental external review of risk management systems across the whole of the Council is scheduled for 2010/11 and the Internal Audit Service will work very closely with the organisation undertaking this exercise, along with the Risk and Insurance Manager, to ensure that all the necessary benefits are realised and significant developments are made in this important area of operations.
- 3.5 We have likewise continued to be involved in the development of the Council's corporate governance. The Internal Audit Service is represented on the Council's Corporate Governance working group chaired by the Chief Executive and in particular has worked with all Chief Officers to ensure that each of them has been able to provide an assurance statement to the Chief Executive.
- 3.6 Work is undertaken annually by the Internal Audit Service to provide the evidence required to support the production of the Annual Governance Statement in compliance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

### **3.B. Corporate or Common Control Systems**

- 3.7 The Internal Audit Service has undertaken a substantial amount of work on the controls that under-pin the Council's work whatever operational service is being provided and in whatever service area or department. These controls manage the risks of the Council's day to day operations that are operated in common across the whole organisation.
- 3.8 In 2009/10 we focussed on the corporate Financial control systems, corporate Human Resources control systems, ICT systems, and other controls operated over the whole of the Council.

#### **Key Issues in relation to Corporate or Common Control Systems**

- 3.9 I have previously reported that a wide range of controls and different procedures designed to achieve the same objectives across the Council is supported by diverse documentation, much of it not always readily accessible to staff. Senior managers have agreed that documented governance procedures should be collated and made consistent across the Council, where possible and that the accessibility of information (particularly though use of the intranet) should be improved.
- 3.10 The integration of the Human Resources and Payroll functions was intended to support consistent human resources processes across the Council. Significant work has been completed to achieve this objective during the year and the Internal Audit Service has provided substantial input to this process (See 3.19).
- 3.11 The Service has continued to support the implementation of the Strategic Change Programme across the Council, providing assurance regarding progress for each of the individual projects identified in the programme. More work of this nature is included in the Internal Audit Plan for 2010/11.

#### **Corporate Financial Control Systems**

- 3.12 Financial control is a key element of the Council's overall control environment and the key financial systems include, for example, the Council Tax, Payroll and Benefits systems, Cash and Treasury Management, controls over the General Ledger, and Grant Funding.
- 3.13 Whilst we are able to provide assurance that there is an adequate level of control in the majority of the key financial systems, some issues were identified this year that required management action.
- 3.14 We have developed and continue to develop a suite of computer assisted audit techniques that enable us to test whole databases as well as samples of individual transactions. These techniques will become an important element of our counter-fraud work, but are already in use to support our work on key financial systems.
- 3.15 We used computer assisted auditing techniques to identify potential duplicate Creditor payments over the period and identified a number of instances in which duplicate payments had been made through the

creditors system. Separate testing of the Payroll system has also identified a small number of other anomalies that are currently being investigated by management. Internal Audit has worked with management in the respective service areas to identify controls required to prevent any recurrence of these issues in the future. More work of this nature is included in the Internal Audit Plan for 2010/11 across all of the main financial systems.

- 3.16 It is acknowledged that controls in operation across the Council to manage creditor payments systems and prevent any potential duplicate payments are improving and management are committed to addressing this problem. However, further work is required to ensure that these controls operate to full effect in the future.
- 3.17 Our review of the Main Accounting system undertaken during the year included assessments of the policies and procedures and financial information systems in place and included an evaluation of the adequacy of the controls in operation over budgetary control and suspense accounts. Procedures governing bank reconciliation and capital and final accounts management were also evaluated against current best professional practice. Overall, the opinion provided on the effectiveness of these arrangements was that they were good and provided senior management with an effective level of assurance.
- 3.18 We have also undertaken work on the Council's key financial systems and have concluded that overall each of the following systems are adequately designed and effectively operated in practice:
- Cash and Banking
  - Payroll
  - Expenses
  - Council Tax
  - General ledger
  - Creditors
  - Insurance
  - Procurement
  - Pensions
  - Treasury Management
  - Housing Benefits
  - VAT Compliance
  - NNDR
  - Debtors

#### **Corporate Human Resources Systems, including Payroll**

- 3.19 The restructuring of Payroll and Human Resources (HR) services has been completed during 2009/10 and involved a number of key actions being undertaken. To enable this to be completed effectively a robust system of internal control has been required and procedures in need of updating. This process has made 2009/10 a critical year although work has progressed well. Internal Audit Services has supported this initiative through input to the process and the completion of timely audits to provide management with relevant assurances regarding the



effectiveness of controls in place. This work will continue into 2010/11 whilst these systems continue to 'bed in'.

- 3.20 We have completed extensive reviews of the Payroll procedures in operation within departments during the year and identified a number of issues relating to the phased implementation of the new automated Documentum system, specifically regarding document access and storage. Detailed discussions have taken place with senior management regarding appropriate actions required to strengthen controls and it is anticipated that these issues will be resolved when the new system 'settles down'. We will continue to monitor progress made in this area during 2010/11 and have scheduled more detailed testing and review work to assess this.

### **ICT Systems and Controls**

- 3.21 There have been significant developments in the area of Information Security and Governance with the publication of data handling guidelines by the Local Government Association (LGA) and the security requirements relating to the government 'connect secure' extranet. In addition, the Council continues to develop its information security management systems including updating the ICT Security Policy and bringing it to the attention of all stakeholders. However, some concerns still exist regarding the security arrangements in operation over the Transfer of Data around the organisation. Improvements are also required to strengthen the arrangements in place over the use of Removable Media.
- 3.22 Our work has therefore been geared to addressing these key themes as well as providing assurance that the Council's critical ICT infrastructure is secure and robust through ongoing work involving Business Continuity, Disaster Recovery and Physical Security including arrangements over Information and Server Management.
- 3.23 We concluded that the Council is making good progress in developing controls over information security in general, but further work is still required to develop an effective information governance structure. The findings from the reviews undertaken are currently being addressed by senior management in conjunction with the Information Strategy Group, within an agreed timescale.
- 3.24 During 2010/11 we plan to return to follow up these issues.
- 3.25 Significant development work is also continuing in a number of other areas, particularly in response to key central government drivers. However, at this point controls over these critical systems are still developing and we will revisit these during 2010/11.

### **Counter Fraud and Investigatory Work**

- 3.26 During 2009/10 a detailed review was completed to assess the effectiveness of the Council's counter fraud and corruption arrangements in operation against CIPFA and Audit Commission best practice publications. Following the preparation and presentation of a

report on this to Chief Officers and the Audit and Risk Management Committee, the formulation of a proactive Anti Fraud Team based within the Internal Audit Section was agreed to be undertaken during 2010/11. The remit for this team is to proactively manage the risk of fraud to the Council by undertaking targeted audits in high risk areas, the preparation of relevant best practice policies and procedures, changing the culture of the organisation by raising awareness amongst the workforce of fraud and corruption and through targeted training. Also included in the remit is the investigation of any serious financial frauds perpetrated against the Council and subsequent reporting to senior management. These investigations will be undertaken by a small team of auditors who have relevant investigation experience and are currently studying for the CIPFA investigative practice qualification.

- 3.27 An Anti Fraud and Corruption Policy has subsequently been prepared for the Council and approved by Cabinet in April 2010 and a series of training sessions and a publicity campaign to promote the policy are scheduled for 2010/11.
- 3.28 We are continuing to develop a suite of computer assisted audit techniques that are used to identify potential financial irregularities by interrogating financial and other databases and which closely links our audit and investigatory work. These tests will generate data throughout 2010/11 and we will investigate the issues as they arise.
- 3.29 A number of unplanned special investigations were conducted during the year following referrals from Chief Officers and Members that resulted in significant staffing resources being utilised and some scheduled audits included within the Internal Audit Plan having to be re-prioritised and carried forward into 2010/11 to accommodate this additional work. These audits resulted in detailed reports being prepared for management and the Audit and Risk Management Committee identifying actions required to alleviate weaknesses in systems reviewed.

#### **Confidential Reporting (Whistle-blowing)**

- 3.30 The Council's Confidential Reporting policy provides Council employees with a structured process where they can raise concerns in confidence. During 2009/10 an audit was conducted to ascertain the level of awareness of and understanding of the policy amongst Wirral Council staff. The main findings from the review indicated that more work needs to be undertaken corporately to promote the policy and clarify the process to be followed by staff. Management have agreed to undertake these actions with immediate effect. More audit work is scheduled to evaluate the effectiveness of these measures during 2010/11.

#### **National Fraud Initiative**

- 3.31 The Audit Commission requires all local authorities to participate in its biennial National Fraud Initiative (NFI), which is a national exercise in using computer assisted audit techniques, and specifically data

matching. The 2007/08 NFI exercise resulted in significant savings to the Council, arising largely from payments recovered or stopped where the Council had made payments in error.

- 3.32 We collated and submitted the required data to the Audit Commission for the NFI 2009/10 exercise and have received reports highlighting areas for further investigation. A summary report will be provided to the Director of Finance in due course.

### **3.C. Service Specific Controls**

#### **Adult Social Services Department**

- 3.33 The department's internal control environment has been adequately designed and operated overall, although there are some areas where controls should be strengthened further. Management responses to the findings from our work have been positive and indicate that action has or will be taken where issues have been identified.
- 3.34 The department is very active in driving forward the government's social care change agenda and in implementing more effective ways of working. In particular, progress on the implementation of self-directed support as part of the wider personalisation agenda is gaining momentum in the areas of both personal social care and commissioning.
- 3.35 Significant improvements have been made to the operation of the non-residential care system, although at the time of our audit, progress on debt management has been slow. Discussions have taken place with senior management from the department regarding this and actions required to develop more effective systems agreed.

#### **Children and Young People Department**

- 3.36 Overall, the departments internal control environment is generally adequate; controls are adequately designed and effectively operated, although there are some areas where controls should be strengthened further including the systems in place for Leaving Care Grants and Instrumental Music Services. Issues were also identified with many Schools regarding the effectiveness of the Statement of Internal Control prepared for 2008/09. Detailed discussions have taken place with senior management from the department and various actions agreed to address all of the issues identified and improve the systems of control in operation.

#### **Technical Services Department**

- 3.37 Overall, the internal control environment in operation within the department is generally considered to be effective, with controls over systems being well designed and managed. Management response to our work has been good and action is always taken promptly in response to the findings of our work. The Director contributes very actively to the preparation of the annual internal audit plan and operates a very 'hands on' approach to subsequent review and

inspections. All internal audit reports are personally considered jointly by the Director and the Head of the relevant Service and appropriate actions delegated to responsible officers and implementation monitored accordingly.

- 3.38 Some areas for improvement were identified following audits conducted during the year and appropriate actions taken to address issues raised within agreed timescales. These systems included Variations to Works Contracts, Car Parking and the new Highways Maintenance Contract recently entered into.

#### **Finance Department**

- 3.39 Overall the departments internal control environment is considered to be effective with controls well designed and operated. In some areas, including a number of key systems the control environment is assessed as being excellent. Management are largely very proactive when considering and designing necessary controls and are aware of the value of having strong systems in operation. Audits and inspections are mainly welcomed as an opportunity to seek assurances regarding the adequacy and effectiveness of systems in place.

- 3.40 Some areas for improvement were identified and meaningful discussions have taken place with management regarding the most effective methods of reducing risks and developing more robust systems. Issues identified following audits have in the main been addressed and where this is not the case work is currently in progress.

#### **Pension Fund**

- 3.41 On the basis of the work undertaken during the year, overall the internal control environment is adequately designed and operated, with some areas such as the Benefits and Payroll services being particularly well controlled.

- 3.42 However, given the nature of the Pension Fund operations and the significance of the finances involved the risks are considerable for this type of business and in some areas such as compliance with Council policy and procedure further improvements are required to ensure that the control environment remains efficient and effective. Management are committed to working with us to ensure that these issues are addressed and that the controls in operation are improved.

#### **Corporate Services**

- 3.43 Overall, the departments internal control environment is generally sound; controls are adequately designed and effectively operated with some areas such as Invest Wirral and LA Rewards Targets able to demonstrate very effective systems of control in operation. However there are still some areas where the systems of control should be strengthened further. Management response to the findings from our work has been positive and indicate that action has or will be taken where issues have been identified.

- 3.44 The department continues to be very active in driving forward positive change as evidenced by the implementation of the new Community Engagement Strategy and the Performance Management Internet facility.
- 3.45 Procedures for the award of Grants to Voluntary Organisations both within the department and across the Council as a whole have a number of acknowledged problems, mostly relating to the consistency of approach and implementation of procedures. Recommendations arising from work conducted within Corporate Services have been put on hold for the time being pending a more detailed and wide ranging review to be undertaken as part of the Internal Audit Plan for 2010/11.

#### **Law, HR and Asset Management**

- 3.46 Extensive reorganisation and the appointment of a number of key members of staff at senior management level during the period have presented a significant challenge for the department. However, things are now starting to settle down and management are implementing systems necessary to comply with legislative and best practice requirements and drive the department forward. Consequently, the overall control environment is currently assessed as improving although it is acknowledged that further improvements are required for this progress to continue.
- 3.47 As a result of the issues identified problems have been experienced in attempting to audit some of the systems in operation during the year. Auditors have been unable to provide management with an opinion on the effectiveness of the Risk Management systems in operation and consequently this work has had to be rescheduled and included in the Internal Audit Plan for 2010/11. The resulting outcome for the Council being that a comprehensive opinion on the effectiveness of the whole of the Risk Management arrangements was not possible at the time of the audit. Management from within the department have been notified of this and the resulting action and are eager to assist in the completion of this work at the earliest opportunity.

#### **Regeneration**

- 3.48 Overall, the internal control environment was assessed as being generally adequate following work conducted throughout the year. However, following the retirement of the Director towards the end of the year some disruption has occurred to well established systems as individual work divisions have been temporarily relocated within other departments. In the future the Regeneration Department will cease to exist in its previous form having been significantly restructured and its workload largely incorporated into the structure of other departments on a more permanent basis. It is very important therefore, that during this ongoing transition the control environment does not become overly destabilised and that the Housing and Regeneration, Cultural Services, and Regulation divisions are quickly established and the new arrangements formalized within the Council's overall organizational structure early in the new financial.

- 3.49 Work is scheduled for 2010/11 to evaluate the revised arrangements for the delivery of these services during this transitional phase and the Internal Audit Service will be providing ongoing advice and guidance regarding appropriate controls, with more emphasis on the robustness and flexibility of controls in operation during this developmental period.
- 3.50 A number of control issues of a high level nature were identified during audits conducted of the Tendering and Contracting procedures and processes in operation at the Floral Pavilion and appropriate actions taken immediately by management to address these issues. Follow up audit work is scheduled for 2010/11 to assess the effectiveness of these actions.

### **Wirral Schools**

- 3.51 The 2009/10 audit plan included 122 days for work relating to internal control frameworks and governance arrangements in schools and 146 days have been spent visiting 22 Schools to conduct this work. We have considered financial management, ICT security, corporate governance, safeguarding assets, health and safety engagement, extended services and voluntary fund management as part of this work.
- 3.52 We undertook 38 visits to Schools and assessed them for compliance with the Financial Management Standard in Schools (FMSIS) initiative in accordance with the timescale identified in the Education Act. Following these visits the Section worked with Schools to ensure that the required standard was achieved and all required actions implemented by the target deadline.
- 3.53 All of the issues identified in reports were discussed with Headteachers and Governors were appropriate and required actions subsequently taken by them to improve the systems in operation. Further work is included in the Internal Audit Plan for 2010/11 to ascertain the ongoing effectiveness of these arrangements and any improvements made.

### **Follow-up Work**

- 3.54 We have undertaken work to ascertain progress in implementing agreed recommendations resulting from earlier reviews. All of the recommendations we have agreed with management have either been implemented as agreed or are in the process of being implemented. Revised action plans have been obtained detailing the progress to date and a timescale for full implementation were this has not already been achieved.

### **Audit Work for Other Organisations**

- 3.55 The Internal Audit Service also undertakes a small amount of audit works for two local Housing Associations, Wirral Methodists and Family Housing. The provision of this work is regarded as being an

excellent opportunity for training and developing audit staff although is undertaken on a commercial fee basis.

## **4 Internal Audit Inputs**

4.1 The outputs of our audit work have been reported in detail to the senior management teams of individual service areas, and the key themes arising for them and for the Council as a whole are set out in Section 3 above. However, in fulfilling its duty to consider the performance of the Internal Audit Service, all of our stakeholders will be interested, on behalf of the Council, to understand the way that the Internal Audit Service has been staffed and its resources deployed.

### **Internal Audit Service Establishment - 2009/10**

4.2 The Internal Audit Service has a very professionally competent and committed workforce that has adapted well to enforced changes and developments in working practices implemented during the year to increase efficiency. These measures were necessary to address a significant shortfall in staffing resource experienced throughout the year.

4.3 The service has again experienced a high staff turnover during the year, on account of the experience, competency and marketability of the majority of the workforce. It is however hoped that the establishment will begin to again settle down after some recent changes and in the current economic climate.

4.4 The Internal Audit Service has particularly felt the loss of a Senior ICT Auditor for the majority of the year, although an appointment was made to this post in December 2009. However, the Principal ICT Auditor and team leader has recently been called up for active service with the Royal Naval Reserve and will be absent for the majority of 2010/11. It is our intention to purchase some ICT audit services from outside of the organisation to assist in the delivery of the plan in this area during the forthcoming year.

4.5 The Section was also without the services of a further two Senior Auditors for a large part of the year, although appointments have now been made to both these posts. However one of these appointments has now opted to work in a part time capacity.

4.6 A number of vacancies have also existed at Assistant Auditor level during the year although internal appointments have now been made creating vacancies at Audit Assistant level. It is anticipated that appointments will be made to these posts shortly.

4.7 Sickness levels amongst the internal audit workforce are amongst the lowest in the Council and compare very favourably with all national indicators for this type of profession, a considerable achievement given the very stressful nature of the audit work at times. The total number of days lost due to sickness during the year is minimal

### **Internal Audit Plan - 2009/10**

- 4.8 Due to the very high staff turnover experienced, and as reported to senior management and the Audit and Risk Management Committee during the year, we were unable to deploy the full number of audit days planned this year and consequently did not complete the number of audits that we would have liked. We planned to provide 6786 days input but actually only provided 5133 equating to 76% and allowing us to complete 303 audits against a target of 458 equating to 66%.
- 4.9 **This is still a significant achievement and importantly the Section has completed all of the high and intermediate priority audits identified in the Audit Plan as being essential to the provision of our 'annual assurance opinion' on the effectiveness of the Council's control environment.**
- 4.10 This work is required by the Audit Commission and essential to the well being of the organisation. The actual work conducted has involved audits of the Council's corporate Financial and ICT systems, and its Governance and Risk Management arrangements. Completion of this work should allow the Audit Commission to gain a reasonable level of assurance whilst undertaking their external audit work and formulating an opinion of the Council's overall control and governance environment.
- 4.11 The total time involved in managing the Internal Audit Service and providing support to the senior management team and members together amounts to 544 days against a plan of 625 days.
- 4.12 The individual audits completed and days spent on each area of our audit plan, by service area, are set out in the table on the next page:



Wirral Council Internal Audit Service  
Annual report for the year ended 31 March 2010

Audit Area	Planned Audits	Planned Audit Days	Actual Outturn		Variance (%)	
			Audits	Days	Audits	Days
<b>CORPORATE RISK</b>						
Corporate Governance	6	219	6	286	-	30
Risk Management	1	33	1	42	-	27
Anti Fraud	40	403	40	359	-	-11
Works Contracts	55	312	55	289	-	-7
<b>SUB-TOTAL</b>	<b>102</b>	<b>967</b>	<b>102</b>	<b>976</b>	<b>-</b>	<b>10</b>
<b>PERFORMANCE</b>						
Performance Management	2	60	2	48	-	-20
Local Area Agreements	2	56	2	57	-	2
<b>SUB-TOTAL</b>	<b>4</b>	<b>116</b>	<b>4</b>	<b>105</b>	<b>-</b>	<b>-9</b>
<b>DEPARTMENT SYSTEMS</b>						
Adult Social Services	22	254	9	271	-59	7
Children and Young Peoples	71	473	29	400	-59	-15
Corporate Services	6	93	3	98	-50	5
Finance	70	840	36	821	-48	-2
Law, HR & Asset Management	43	383	20	187	-53	-51
Regeneration	45	406	26	291	-42	-28
Technical Services	20	154	11	126	-45	-18
<b>SUB-TOTAL</b>	<b>277</b>	<b>2603</b>	<b>134</b>	<b>2194</b>	<b>-52</b>	<b>-15</b>
<b>ICT SYSTEMS</b>	30	526	18	326	-40	-38
<b>EXTERNAL CONTRACTS</b>	45	352	45	416	-	18
<b>SUB TOTAL</b>	<b>75</b>	<b>878</b>	<b>63</b>	<b>742</b>	<b>-16</b>	<b>-15</b>
Development/Training		2226		1116	-	-50
<b>TOTAL AUDIT DAYS</b>		<b>6786</b>		<b>5133</b>		<b>-24</b>
<b>TOTAL AUDITS</b>	<b>458</b>		<b>303</b>		<b>-33</b>	

## **1. Scope, Responsibilities and Assurance**

### **1.1. Approach**

1.1.1. In accordance with the CIPFA Code of Audit Practice, the scope of internal audit encompasses all of the Council's operations, resources and services including where they are provided by other organisations on their behalf.

### **1.2. Responsibilities of Management and Internal Auditors**

1.2.1 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.

1.2.2. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to Chief Officers as they have become known to us, without undue delay, and have worked with them to develop proposals for remedial action.

1.2.3. Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

1.2.4. Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.

### **1.3. Basis of Our Assessment**

1.3.1. My opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit and Risk Management Committee. We have obtained sufficient, reliable and relevant evidence to support the recommendations that we have made.

### **1.4. Limitations to the Scope of Our Work**

1.4.1. There have been no limitations to the scope of our work.

### **1.5. Limitations on the assurance that internal audit can provide**

1.5.1. There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be

drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

- 1.5.2. Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

## **1.6. Access to this Report and Responsibility to Third Parties**

- 1.6.1. I have prepared this report solely for Wirral Council. As you are aware, this report forms part of a continuing dialogue between the Internal Audit Service, the Director of Finance, Chief Executive, Audit and Risk Management Committee and management of the Council. It is not therefore intended to include every matter that came to our attention during each internal audit review.
- 1.6.2. I acknowledge that this report may be made available to other parties, such as the external auditors. I accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, I expect the external auditors to determine for themselves the extent to which they choose to utilise our work.