

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 SEPTEMBER 2010

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT WORK: JUNE TO AUGUST 2010

1. EXECUTIVE SUMMARY

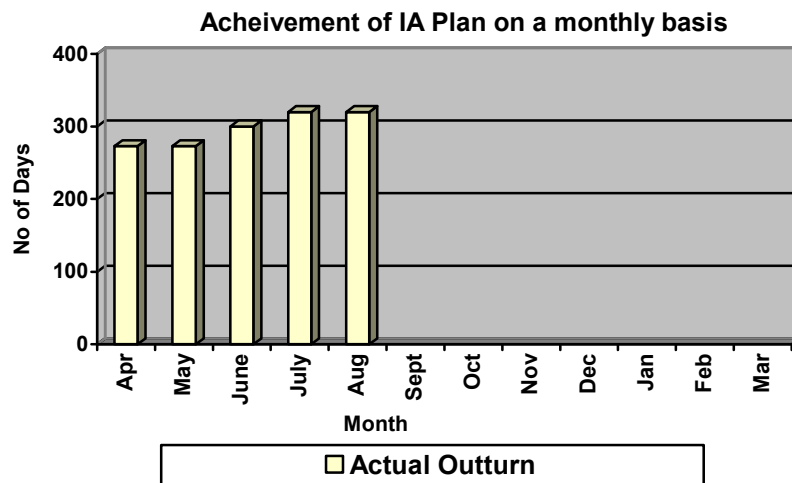
- 1.1. In order to assist in effective corporate governance and fulfil statutory requirements, the Internal Audit Section of the Finance Department reviews management and service delivery arrangements within the Council as well as financial control systems. Work areas are selected for review on the basis 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.
- 1.3. The Internal Audit Plan for 2010/11 was approved by this Committee at its meeting in March 2010.
- 1.4. The Internal Audit Plan identifies all of those audits required to provide the Council with adequate assurance regarding the effectiveness of its systems in operation to manage and mitigate all of the identified risks to the achievement of the Council's objectives. It is essential therefore that the audit plan is delivered to ensure that the 'annual assurance opinion' on the effectiveness of the Council's control environment is not qualified and supports the delivery of the Annual Governance Statement. The Section is confident of achieving this objective by year end.

2. INTERNAL AUDIT – PERFORMANCE

- 2.1. This report summarises the audit work completed between 1 June 2010 and 31 August 2010. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 150 audit reports were produced during this period identifying 120 high and 111 medium priority recommendations to improve systems and address control weaknesses. 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 June 2010 to 31st August 2010:

2.2.1. To ensure that the Internal Audit Plan is delivered by the 31 March 2011.

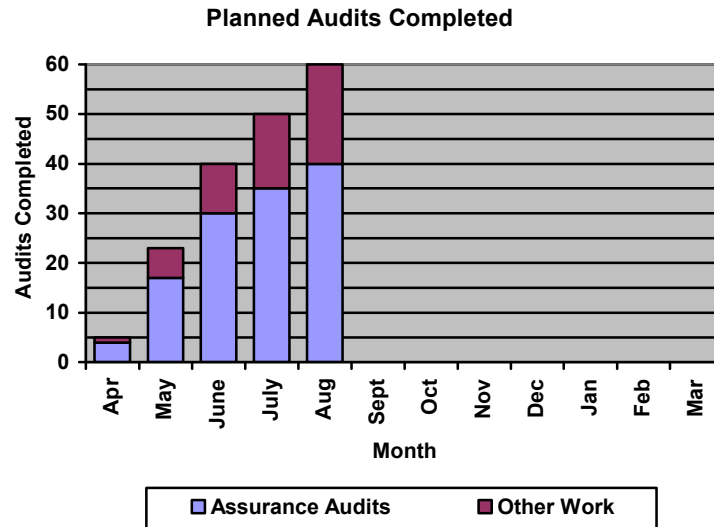


2.2.1.a. This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the Internal Audit Plan. 4250 days are actually required to deliver the plan for this year, equating to approximately 355 days per month. As can be seen from the graph, approximately 300 days on average have been available each month to date. This is mainly due to a slight shortfall in staff resources as a result of vacancies and some members of staff being deployed undertaking investigations that were not included in the plan. This shortfall is not considered significant at the moment and the Section remains confident that its targets can still be achieved, provided that the situation does not deteriorate or increased unplanned demands placed upon the service. This will continue to be very closely monitored by management and any appropriate actions taken as needed and reported to this Committee.

2.2.2. To ensure that all planned audits are completed.

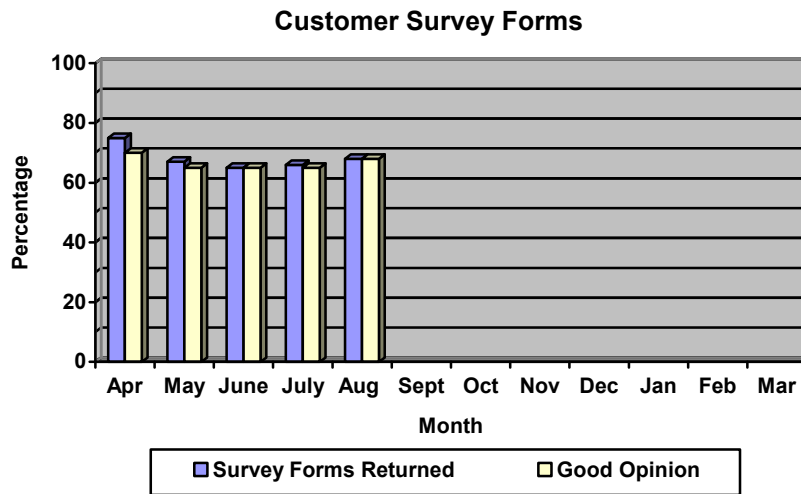
The Internal Audit Plan comprises a substantial number of audits essential to the provision of the 'annual assurance opinion' and are designed to review the key risks to Council systems. Delivery of these audits accounts for 3030 days of the plan. The remainder of the plan, 1220 days relates to audits designed to evaluate the effectiveness of the Council and the achievement of its overall objectives and whilst important are not necessary to support the actual assurance opinion. This 'other' work is considered essential to the well being of the organisation and complies with CIPFA best practice guidance. Work identified in this area includes the Strategic Change Programme, Managing Fraud audits and some ICT projects. It is essential that all of the assurance opinion work is completed in the year to enable the opinion on the effectiveness of the Council's control environment to be provided. The graph below identifies the planned audits completed each

month for the year to date, subject to variances arising from the changing dynamics of the plan, including requests from Chief Officers and Members for additional work. With a full complement of staff for the year it is expected that nearly 600 audit reports including follow ups, some of which relate to the 2009/10 Audit Plan, will be issued.



- 2.2.2.a. To date 200 reports including follow ups have actually been produced representing 90% of those planned for the period. This figure reflects the staffing resources available to the service during the year to date and includes necessary seasonal adjustments.
- 2.2.2.b. Overall performance is only slightly below target for this time of year, primarily as a result of requests for audits and investigations not originally included in the audit plan, a slight shortfall in staffing resource and necessary seasonal adjustments. Considerable effort has actually been made during the period to address the performance shortfall identified in the June 2010 report to this Committee through increased efficiencies and more streamlined working and the service is currently on target to achieve its objective of delivering all of the assurance audits by the year end. The position will continue to be monitored and any appropriate actions taken to ensure continued delivery of the plan and these actions notified to this Committee in due course.
- 2.2.2.c. The chart also clearly indicates that of the audits completed to date, a significant proportion represent work undertaken to support the 'annual assurance opinion'. This reflects the deliberate policy of the Internal Audit Section to complete as many of these audits as early as possible, however for operational reasons some of these audits cannot be delivered until later in the year. The Section has all of these audits scheduled for the remainder of the year and is confident that the target of completing these by the year end will be achieved.

2.2.3. Percentage of Customer Satisfaction Forms returned indicating a 'good' opinion of the service.



2.2.3.a. Customer survey forms are completed by the clients following the completion of an audit and pose a number of questions relating to the actual 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.

2.2.4 Follow up Audits

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 completed 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. The table also indicates the audit opinion provided on the effectiveness of the control environment, where 4* indicates an excellent rating.

Audit	Total Recs Agreed	Recs Not Agreed	Audit Opinion Provided
Workforce Planning – Hard to Fill Posts	1	-	2*
St Marys College	2	-	2*
Annual Governance Statement 2009/10	3	-	3*
Bebington Library	1	-	3*
New Brighton Primary School	2	-	4*
Poulton Lancelyn Primary School	1	-	4*
Thingwall Primary School	2	-	4*
Woodchurch Primary School	7	-	3*
Heswall Library	3	-	2*
Invigor8	2	-	2*
Members Allowances	2	-	2*
Rock Ferry Library	2	-	2*
St James Library	3	-	2*
Leaving Care Grants	1	-	3*
Asset Management	5	-	3*
Debtors - DASS	2	-	2*
Income – Corporate Services	2	-	2*
Overseas Travel	4	-	2*
Payroll – Corporate System	1	-	3*
Planning Applications	1	-	2*
Woodchurch Library	2	-	3*
One Billing System	1	-	2*
Procurement - CYPD	1	-	2*
Housing Benefits	1	-	3*
Telecommunications	2	-	2*
Pensions	2	-	2*
Travel and Subsistence	2	-	2*
Procurement - DASS	5	-	2*

- 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 recommendations agreed to mitigate or remove weaknesses.

4. **ITEMS OF NOTE**

- 4.1. A report will be presented to the next meeting of this Committee in November 2010, identifying changes that are required to the Internal Audit Plan for the current year. This is necessary to address emerging issues identified and ensure that adequate audit cover is provided in these areas. A detailed review of the Audit Plan is currently underway and has to date identified issues that include:

- Strategic Change Programme

The role of the Internal Audit Service in this area is likely to increase and include more detailed assurance work to support the implementation of this major corporate project, evaluating progress against targets and compliance with best professional practice.

- Care Quality Commission

Review and evaluation of the progress made by Adult Social Services to implement the action plan prepared, following completion of the recent review of systems in this area.

- Governance

Evaluation of issues arising from the two PIDA reports to establish whether the issues identified are of a departmental or corporate nature and if actions taken to improve systems are appropriate and effective.

5. **FINANCIAL AND STAFFING IMPLICATIONS**

- 5.1. There are none arising from this report.

6. **LOCAL MEMBER SUPPORT IMPLICATIONS**

- 6.1. There are no local member support implications.

7. **LOCAL AGENDA 21 STATEMENT**

- 7.1. There are no local agenda 21 implications.

8. **PLANNING IMPLICATIONS**

- 8.1. There are no planning implications.

9. **EQUAL OPPORTUNITIES IMPLICATIONS**

9.1. There are no equal opportunities implications.

10. **COMMUNITY SAFETY IMPLICATIONS**

10.1. There are no community safety implications.

11. **HUMAN RIGHTS IMPLICATIONS**

11.1. There are no human rights implications.

12. **BACKGROUND PAPERS**

12.1. Internal Audit Annual Plan 2010/11.

12.2. Audit Reports.

13. **RECOMMENDATION**

13.1. That the report be noted.

DAVID A GARRY
CHIEF INTERNAL AUDITOR

FNCE/179/10

APPENDIX I

INTERNAL AUDIT PLAN 2010/11

WORK CONDUCTED/ONGOING – 1 JUNE to 31 AUGUST 2010

1. SYSTEMS

- (a) Finance
 - Creditors
 - Cash
 - Council Tax Recovery/Enforcement
 - Housing Benefits Data Quality
 - Pensions Administration
 - Debtors
 - Main Accounting System
 - NNDR
 - Banking Services

- (b) Law, HR and Asset Management
 - Corporate Governance
 - Licensing
 - Payroll
 - Asset Management
 - Members Allowances
 - Income

- (c) Children & Young People
 - Schools - Reviews
 - Financial Management Standard in Schools assessments
 - Contact Point
 - Procurement
 - Income

- (d) Technical Services
 - Final Accounts
 - COLAS
 - Highways Maintenance
 - Planning Management System
 - Greenwaste
 - Coastal Defences
 - HESPE
 - Planning Applications

- (e) Regeneration
 - Floral Pavilion
 - Williamson Art Gallery
 - Grants
 - General Licensing
 - Libraries

- (f) Adult Social Services
 - Procurement

- Leaving Care Grants
- Permanent Residents Care
- Debtors

(g) Corporate Services

- Performance Management
- Contracts
- Income

(h) Corporate Systems

- Corporate Governance
- Annual Governance Statement
- Risk Management
- National Fraud Initiative
- Audit Commission Reports
- Payroll
- Overseas Travel

2. **SCHOOLS**

(a) 8 FMSIS Schools (incl Follow Ups)

(b) 8 Schools audited

3. **ICT**

- (a) Acceptable Usage
- (b) Data Protection
- (c) Removable Media
- (d) Data Transfer Security
- (e) Computer Forensics
- (f) Non Staff Access
- (g) Information Security
- (h) Asset Disposal

4. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Tender Procedures.
- (c) IDEA - Payroll
- (d) Overseas Travel
- (e) File Transfer Payments

5. **INVESTIGATIONS**

- (a) Pensions
- (b) Financial Services
- (c) DASS

6. **OTHER**

- (a) Wirral Methodist Housing Association
- (b) Family Housing Association
- (c) 2 Final Accounts (totalling £400k examined)