

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

22 NOVEMBER 2010

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT WORK: SEPTEMBER TO OCTOBER 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' and 'Medium' 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. Although in the very early stages of the delivery of the plan, the Section is confident of achieving this objective by year end.

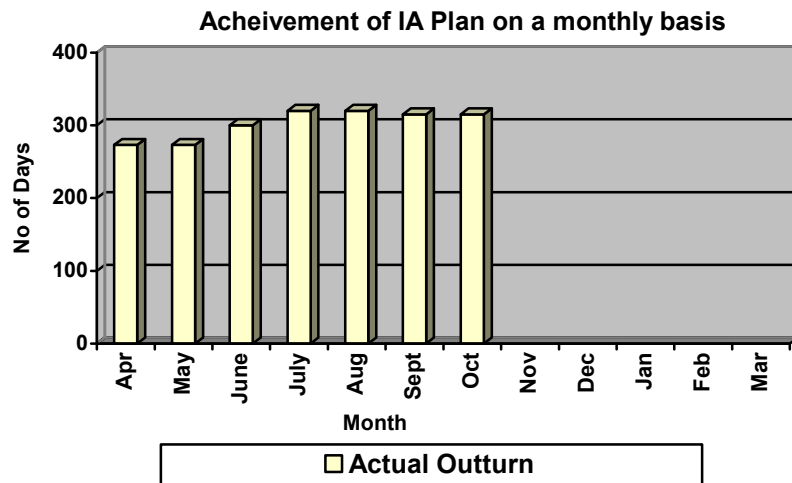
2. INTERNAL AUDIT – PERFORMANCE

- 2.1. This report summarises the audit work completed between 1 September 2010 and 31 October 2010. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. Over 100 audits were undertaken during this period identifying more than 150 high and medium priority recommendations to address risks and improve systems in operation across the Council. Management has agreed to implement all of the recommendations made within a satisfactory timescale and follow up audits are scheduled to monitor progress. 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.

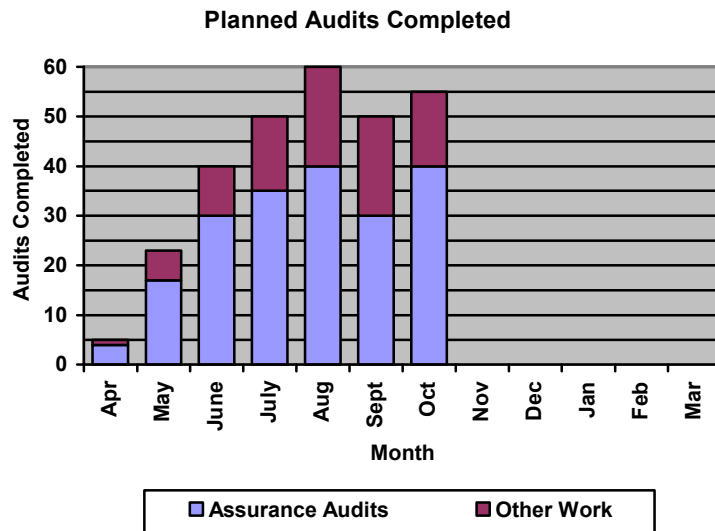


2.2.1.a. This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the Internal Audit Plan. 4250 days are actually required to deliver the plan for this year, equating to approximately 355 days per month. As can be seen from the graph, approximately 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

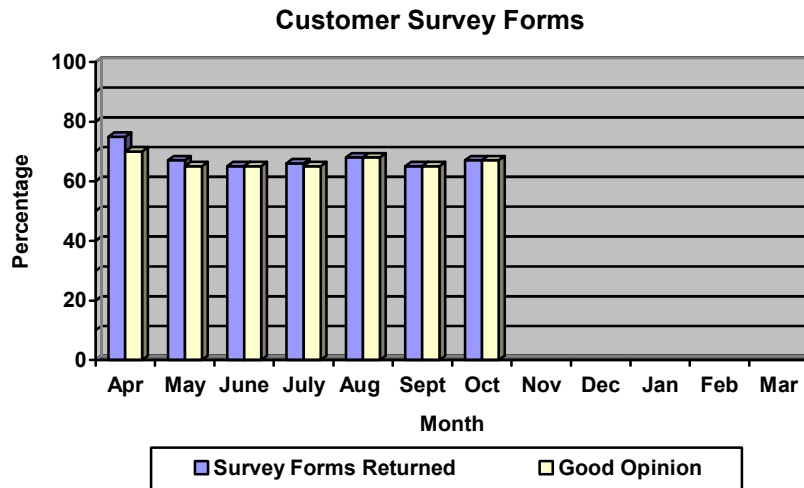
that all of the assurance opinion work is completed in the year to enable the opinion on the effectiveness of the Council's control environment to be provided. The graph below identifies the planned audits completed each month for the year to date, subject to variances arising from the changing dynamics 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 approximately 600 audits including follow ups, some of which relate to the 2009/10 Audit Plan, will be undertaken.



- 2.2.2.a. To date over 300 audits have been undertaken 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 the staffing resource available and necessary seasonal adjustments.
- 2.2.2.c. The chart 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 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.
- 2.2.2.d. A separate report has however been prepared for this Committee identifying some fundamental changes required to the Internal Audit Plan to take account of emerging risks identified. The changes required will involve some audits identified in the plan being replaced with additional ones necessary to address more significant risks presented. These changes should enhance the effectiveness of the annual assurance process and opinion provided by

ensuring that systems to address all current relevant risks to the organisation are considered.

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
ICT - Data Transfer/Removable Media	5	-	2*
Rock Ferry High School	1	-	3*
Annual Governance Statement 2009/10	1	-	3*
Schools – Statement on Internal Control	5	-	2*
Beechwood Library	2	-	2*
BT Data Analysis	2	-	1*
Contracts – Corporate Services	2	-	2*
Debt Recovery System	6	-	2*
Highways – Financial Appraisals	1	-	3*
Floral Pavilion Income	2	-	3*
Leasowe Library	2	-	3*
Contact Company Grant Application	2	-	2*
Pension Fund – Benefits and Payroll	1	-	4*
Pension Fund – Risk Management	1	-	3*
Upton Library	2	-	3*
West Kirby Library	2	-	3*
Departmental Risk Management	3	-	3*
Money Laundering	2	-	2*
Council Tax - Bailiffs	1	-	3*
The Lyndale School – FMSIS Review	2	-	3*
Freedom of Information	2	-	3*
Income Monitoring – Technical Services	1	-	3*
Performance Management (PI's)	1	-	3*
Prenton Library	1	-	2*
Tendering Procedures	1	-	3*
Bromborough Library	3	-	2*
Framework Consultancy Commission	1	-	3*
Income – Law, HR & Asset Management	3	-	3*

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. 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 IMPLICATIONS

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 2010/11.

11.2. Audit Reports.

12. RECOMMENDATION

12.1. That the report be noted.

DAVID A GARRY
CHIEF INTERNAL AUDITOR

FNCE/230/10

APPENDIX I

INTERNAL AUDIT PLAN 2010/11

WORK CONDUCTED/ONGOING – 1 SEPTEMBER to 31 OCTOBER 2010

1. SYSTEMS

- | | |
|----------------------------------|--|
| (a) Finance | <ul style="list-style-type: none">- Central Cashiers- Council Tax - Bailiff Services- Housing Benefits - Overpayments- Housing Benefits - Payments- Housing Benefits - Local Housing Allowance- Libraries- Pensions - Risk Management- Pensions – Investment & Contracts- Debtors – Recovery and Write Off- NNDR - Valuations- Payroll Control |
| (b) Law, HR and Asset Management | <ul style="list-style-type: none">- Corporate Governance- Whistleblowing- Establishment Control- Members Allowances- Income |
| (c) Children & Young People | <ul style="list-style-type: none">- Schools - Reviews- Financial Management Standard in Schools assessments- |
| (d) Technical Services | <ul style="list-style-type: none">- Final Accounts- Floral Pavilion- Highways Asset Management System- Income Monitoring- HESPE |
| (e) Adult Social Services | <ul style="list-style-type: none">- Procurement- Permanent Residents Care- Debtors |
| (f) Corporate Services | <ul style="list-style-type: none">- Performance Management (PI's)- Houses in Multiple Occupation- Contracts- Income |

- (g) Corporate Systems
 - Corporate Governance
 - Annual Governance Statement
 - National Fraud Initiative
 - Grants to Voluntary Organisations
 - Freedom of Information

2. SCHOOLS

- (a) 3 FMSIS Schools (incl Follow Ups)
- (b) 11 Schools audited

3. ICT

- (a) Mobile Telecommunications
- (b) Information Assurance
- (c) Removable Media
- (d) Data Transfer Security
- (e) Access Controls – Academy
- (f) Corporate Back Ups
- (g) Publishing Public Sector Information
- (h) Access Controls - Documentum

4. ANTI-FRAUD

- (a) National Fraud Initiative
- (b) Anti Fraud Team set up.
- (c) IDEA – Payroll/Creditors/Debtors
- (d) Overseas Travel
- (e) Data File Transfers
- (f) Receipt of Tenders
- (g) BT Data Analysis

5. INVESTIGATIONS

- (a) Pensions
- (b) DASS
- (c) Contact Grant Application

6. OTHER

- (a) Wirral Methodist Housing Association
- (b) Family Housing Association
- (c) 5 Final Accounts (totalling £2.4m examined)