

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 JANUARY 2011

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT WORK: NOVEMBER 2010

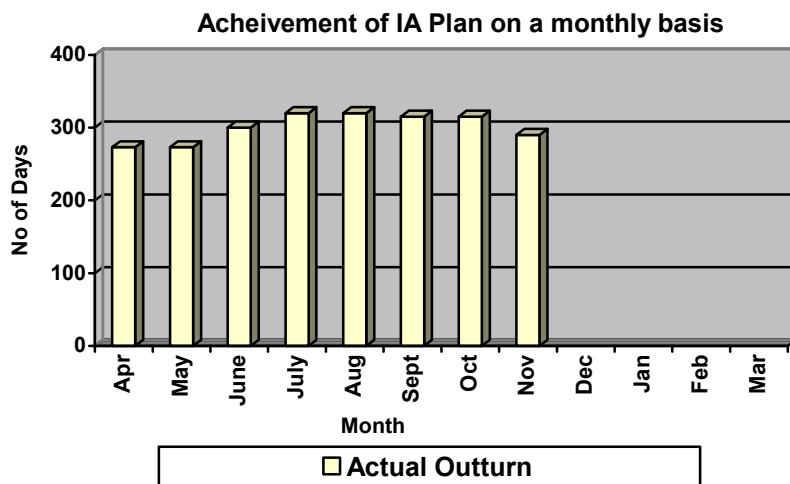
1. EXECUTIVE SUMMARY

- 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. 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. It includes details of the actual work undertaken over the period. 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 in March 2010 and revised in November 2010.
- 1.4. The Internal Audit Plan identifies all audits required to provide the Council with adequate assurance regarding the effectiveness of its systems to manage and mitigate 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 supports the delivery of the Annual Governance Statement. I am confident of achieving this objective by year end.

2. INTERNAL AUDIT – PERFORMANCE

- 2.1. This report summarises the audit work completed during November 2011. Details are in Appendix I. 40 audits were undertaken during this period identifying more than 90 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 paragraph 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 1 June 2010 to 30 November 2010:

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



- (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 were identified at the start of the year as being necessary to deliver the plan, for 2010/11 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 and the Section is confident of achieving its identified targets.
- (b) Following the recent severance/retirement exercise it has been necessary to reorganise how the Internal Audit Plan will be delivered. The reduction in staffing has been offset by a reprioritisation of resources and increased efficiencies, to ensure that an effective Audit Plan can be delivered.

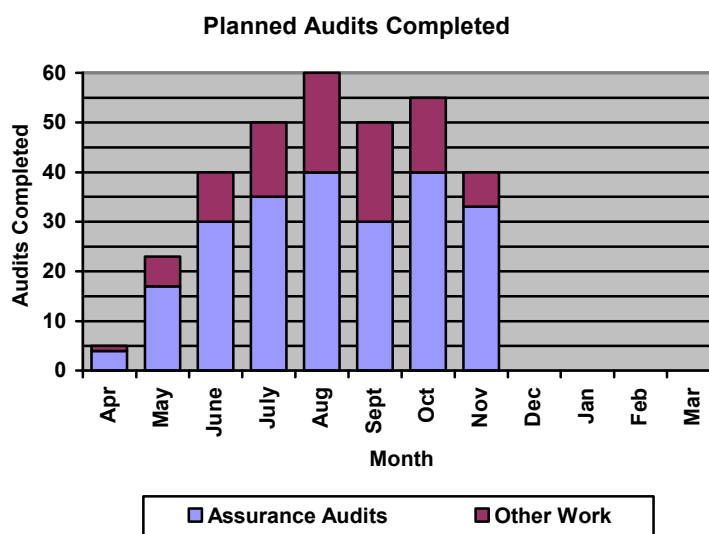
2.2.2. To ensure that all planned audits are completed:

- (a) The Internal Audit Plan as agreed by this Committee at its meeting on 24 March 2010 comprised a substantial number of audits essential to the provision of the 'annual assurance opinion' and was designed to review the key risks to Council systems at the time of writing. Delivery of the identified audits accounted for 3030 days of the plan. The remainder of the plan, 1220 days, related to audits designed to evaluate the effectiveness of the Council and the achievement of its overall objectives and, whilst important, were not regarded as being essential 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.

(b) Following significant changes to the structure and organisation of the Council allied to changes in the economic and financial environment a number of substantial risks have emerged. Consequently, changes have been made to the Internal Audit Plan and workloads reprioritised. It is essential to ensure that all risks identified are given due consideration, thereby enhancing the overall assurance process. Committee considered some of these issues at its meeting in November and agreed the following amendments to the Internal Audit Plan for 2010/11:

- Strategic Change Programme
- Care Quality Commission's recommendations in respect of the Department of Adult Social Services
- Governance
- ICT strategic Review
- Centralisation of Financial Services
- Personal Budgets
- Counter Fraud

(c) The graph below shows the planned work completed and the assurance provided. It will reflect the revised programme at future meetings.

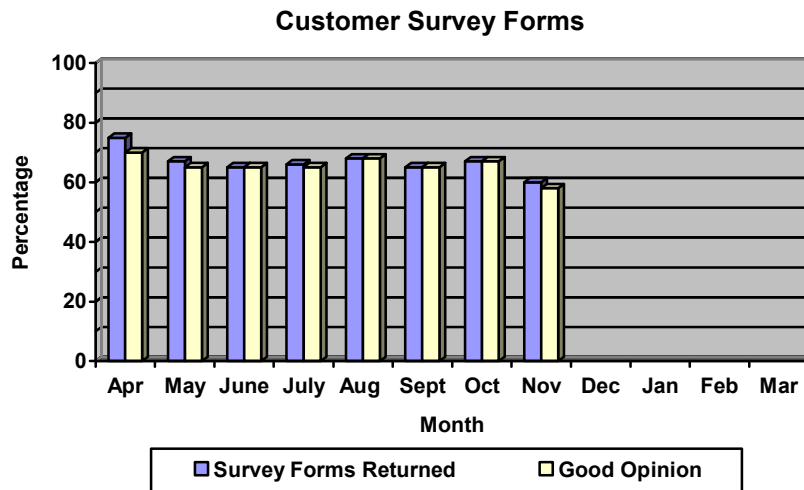


(d) To date over 350 audits have been undertaken representing 90% of the revised total for the period to date. This figure reflects the staffing resources available to the service during the year to date and includes necessary seasonal adjustments.

(e) 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 and a slight shortfall in the staffing resource available during the year.

- (f) The chart clearly indicates that of the audits completed to date, a significant proportion represent work undertaken to support the 'annual assurance opinion'. The policy of the Internal Audit Section is to complete as many of these audits as early as possible in the financial year, however for operational reasons some of these cannot be undertaken until later. The Section is confident that all such audits will be completed by the year end.

2.2.3. 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 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.

2.2.4 Follow up Audits

- (a) To comply with current best practice and Audit Commission recommendations, follow-up audits are undertaken up to six months after the completion date, to confirm the implementation of agreed recommendations. It is the responsibility of managers and Chief Officers to ensure that any weaknesses in control or any areas identified for improvement are addressed in accordance with the audit action plan and timescale provided. If, in the opinion of the auditor appropriate action is not taken then the issues are brought to the attention of the relevant Chief Officer, the Section 151 Officer, the Chief Executive and ultimately this Committee for further action.
- (b) For this period no significant delays in implementing recommendations have been identified and no outstanding issues require the attention of the Audit and Risk Management Committee.

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
Think Big Application	2	-	3*
Consultancy Commission	1	-	3*
Income – Corporate Services	1	-	4*
Rock Ferry Primary School	1	-	4*
Townfield Primary School	7	-	2*
Car Mileage - CYPD	1	-	3*
File Transfer / Batch Payments	5	-	2*
Members Allowances	3	-	3*
HMO Loans	3	-	2*
AGS – Conflict of Interest	9	-	2*
Children Centres: Liscard Birkenhead and Tranmere Bidston and St James's	14	-	2*
ICT Assets	5	-	2*
Purchasing and Payments	1	-	3*
Park High School	1	-	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. ITEMS OF NOTE

4.1. Managing Fraud

- 4.1.1. At the meeting of this Committee in November 2010 the Members requested an update regarding the progress that has been made by the service to create and develop a Counter-fraud Team. The creation of the Team has been commended by the Audit Commission in its national publication '*Protecting the Public Purse*', and is reported in detail elsewhere on this agenda.

4.2. **Strategic Change Programme (SCP)**

4.2.1. On 17 September 2010 the Strategic Change Programme Board (SCPB) agreed a framework for the Director of Finance to provide assurance for the SCP. This will be undertaken from within the Internal Audit Section, and an audit/assurance programme is currently being developed.

4.2.2. The SCP was identified by this Committee at its meeting on 22 November 2010 as a critical issue for the Council to be included to the current year's Audit Plan.

4.2.3. The role of Internal Audit in providing independent assurance will include assessing the:

- Governance and management of the programme
- Management and implementation of individual project
- The identification and realisation of savings

4.3. **BT Data Analysis Audit**

4.3.1. At the meeting of this Committee on 22 November 2010 Members requested further information on the Audit of BT Data Analysis which had been provided within a One Star rating.

The findings have been reported to the Acting Employee Relations Manager and relevant Directors for them to investigate apparent weaknesses and anomalies.

The main issues identified included:

- The need to review the necessity for some business calls
- The likelihood that officers authorising payments have not regularly reviewed bills for propriety and appropriateness of calls
- A lack of a current Telephone Usage Policy with specific instructions on recovery of monies

4.3.3. Although a formal follow-up audit is not due until Spring 2011, the following progress has been identified:

- Detailed usage reports have been circulated to each Department to identify potential wasteful calls and take action as appropriate
- Technical Services Department has taken appropriate action to reduce the risk of reoccurrence of the issue of lines not being used but subject to charge
- Finance Department has briefed all staff on detailed issues to reduce costs of telephone calls

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/271/10

INTERNAL AUDIT PLAN 2010/11

WORK CONDUCTED/ONGOING – NOVEMBER 2010

1. SYSTEMS

- (a) Finance
 - Insurance
 - Council Tax - Discounts
 - Creditors
 - Pensions - Risk Management
 - Pensions – Investment & Contracts
 - Debtors – Recovery and Write Off
 - NNDR - Valuations
 - Payroll Control

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

- (c) Children & Young People
 - Schools - Reviews
 - Children Centres

- (d) Technical Services
 - Final Accounts
 - Contract Evaluation Models
 - Direct Orders
 - Contracts Register
 - HESPE

- (e) Adult Social Services
 - SWIFT – Access Controls
 - Debtors

- (f) Corporate Services
 - Performance Management (PI's)
 - Income

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

2. SCHOOLS

- (a) 2 FMSIS Schools (incl Follow Ups)
- (b) 3 Schools audited

3. ICT

- (a) Mobile Telecommunications

- (b) Information Assurance
- (c) Disposal of ICT Assets
- (d) BACS
- (e) File Transfers/Batch Payments
- (f) Data Sharing/Access
- (g) Corporate Backups

4. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Anti Fraud Team set up.
- (c) Travelling Expenses
- (d) BT Data Analysis

5. **INVESTIGATIONS**

- (a) Pensions
- (b) DASS

6. **OTHER**

- (a) Wirral Methodist Housing Association
- (b) Family Housing Association
- (c) 1 Final Account (totalling £106k examined)