

## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

<b>SUBJECT:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR SIMON MOUNTNEY</b>
<b>KEY DECISION ?</b>	<b>NO</b>

#### **1.0 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 and includes details of the actual work undertaken during the period. There are no items of significance identified during the audit process that require action by the Members for this period although a number of items are included for their attention at 4.5.
- 1.3. The Internal Audit Plan for 2010/11 was approved by this Committee at its meeting 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.

#### **2.0 RECOMMENDATION**

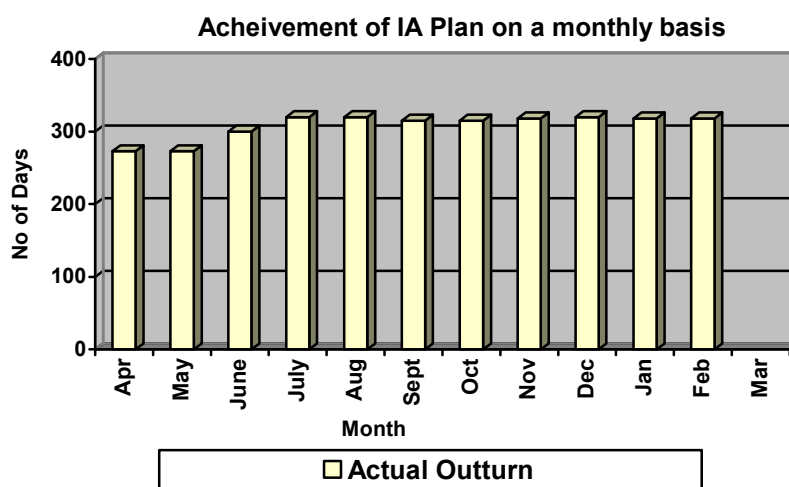
- 2.1. That the report be noted and appropriate action be taken by the Members as deemed necessary.

#### **3.0 REASON FOR RECOMMENDATION**

- 3.1 To provide the Members with assurance that the Council is taking appropriate measures to comply with statutory requirements to provide an adequate and effective internal audit service.
- 3.2 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

**4.0 BACKGROUND AND AUDIT OUTPUT**

- 4.1. This report summarises the audit work completed during the period 1<sup>st</sup> December 2010 to 28 February 2011. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 70 audits were undertaken during this period identifying 161 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 4.4 of this report.
- 4.2. The Service constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas as identified for the period 2010/2011 financial year.
  - 4.2.1. To ensure that the Internal Audit Plan is delivered by the 31 March 2011.

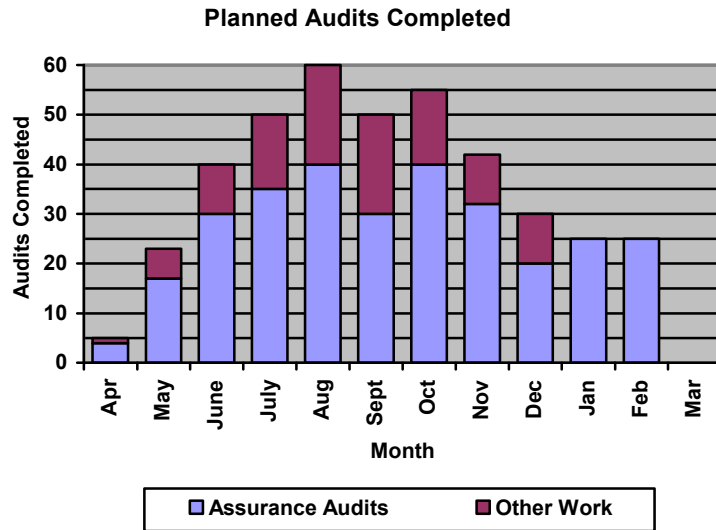


- (a) This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the Internal Audit Plan. 4250 days were identified at the start of the year as being necessary to deliver the plan, equating to approximately 355 days per month. As can be seen from the 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 Service 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.

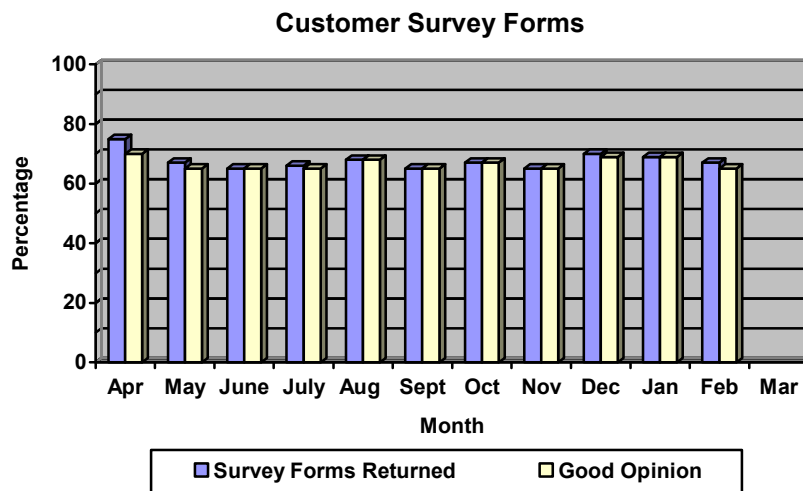
4.2.2 To ensure that all planned audits are completed.

- (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.



- (d) To date over 400 audits have been undertaken representing 90% of those planned 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, 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'. All of these planned audits for 2010/11 have now been completed and the performance target for completion of these by the year end achieved.

4.2.3. 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 usefulness and value added by the actual audit and its findings, as well as 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 Service is viewed very positively by its clients and is regarded as adding real 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.

#### 4.3 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.

#### 4.4 Audits Identifying High Priority Recommendations

- (a) 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
Computer Forensics & Investigations	5	-	2*
Pension Fund – Investments, Governance and Strategy	6	-	2*
Pension Fund – Sources of Income	1	-	2*
Pension Fund – Tendering Procedures	1	-	2*
Print Room Income	4	-	2*
NNDR Write Offs	1	-	3*
Housing and Council Tax Benefits Assessments	1	-	2*
St Paul's RC School	10	-	2*
Brackenwood Junior School	18	-	2*
Stanley School	13	-	2*

Sacred Heart School	3	-	3*
Creditors System	2	-	3*
Pension Fund - Administration	1	-	4*
Community Engagement	3	-	2*
Debtors – IDEA Testing	2	-	2*
Printing	5	-	2*
Information Assurance	8	-	1*
Mobile Phones	7	-	1*
Tender Procedures – Birkenhead Park	2	-	2*

- (b) 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.

#### 4.5 Items of Note

##### (a) Annual Governance Statement

A significant amount of work has been undertaken by the Internal Audit service this period to evaluate the effectiveness of governance arrangements in operation across the Council as part of the annual process to ensure that statutory requirements identified in the Accounts and Audit Regulations 2006 are met. This well established process for reviewing the control system, collating information and contributing to the compilation of the Annual Governance Statement is implemented in full compliance with the CPFA/SOLACE best practice framework. Reports identifying issues raised have been produced for Chief Officer's that include areas for improvement and discussions have taken place to agree any actions required. Issues of significance identified have been considered and included within the governance statement for the Authority which is included on the agenda for this Committee. Further ongoing work is scheduled during 2011/12 to assist management in the improvement of these systems and processes in line with developing best practice and regular updates will be provided to Committee during the year.

## 5.0 RELEVANT RISKS

- 5.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 5.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

## **6.0 OTHER OPTIONS CONSIDERED**

6.1 No other options considered.

## **7.0 CONSULTATION**

7.1 Members of this Committee are consulted throughout the process of delivering the internal audit plan and the content of this regular routine report.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1 There are none arising from this report.

## **9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

9.1 There are none arising from this report.

## **10.0 LEGAL IMPLICATIONS**

10.1 There are none arising from this report.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 There are none arising from this report.

## **12.0 CARBON REDUCTION IMPLICATIONS**

12.1 There are none arising from this report.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are none arising from this report.

FNCE/68/11

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## **APPENDICES**

Appendix 1: Internal Audit Work Conducted/Ongoing – Dec 2010 to Feb 2011

## **REFERENCE MATERIAL**

Internal Audit Plan 2010/11

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Routine report presented to all meetings of this Committee.

**INTERNAL AUDIT PLAN 2010/11**

**WORK CONDUCTED/ONGOING – DECEMBER 2010 TO FEBRUARY 2011**

**1. SYSTEMS**

- (a) Finance
  - Creditors
  - Council Tax - Bailiff Services
  - Housing Benefits - Overpayments
  - Housing Benefits - Payments
  - Benefits (HB & CT) – Quality Assurance Program
  - Benefits (HB & CT) Assessments
  - Treasury Management
  - Pensions – Investment Management & Monitoring
  - Pensions – Contracts
  - Pensions – Sources of Income
  - Pensions – Risk Management
  - Pensions - Administration
  - VAT Compliance
  - NNDR – Write Offs
  - Call Centre
  - Print Unit Income
  - Fixed Assets Accounting System
- (b) Law, HR and Asset Management
  - Corporate Governance
- (c) Children & Young People
  - Schools - Reviews
  - Children's Centres
- (d) Technical Services
  - Final Accounts
- (e) Adult Social Services
  - Procurement
  - Care Quality Commission review
  - Personal Budgets
- (f) Corporate Systems
  - Corporate Governance
  - Annual Governance Statement
  - National Fraud Initiative
  - Mayors Charity Fund
  - Community Engagement
  - Strategic Change Programme



2. **SCHOOLS**

- (a) 8 Schools audited
- (b) Schools Statement on Internal Control

3. **ICT**

- (a) Mobile Telecommunications
- (b) Information Assurance
- (c) Non Staff Access to Wirral ICT Infrastructure
- (d) Email Retention and Archiving
- (e) Publishing Public Sector Information
- (f) Computer Forensics and Investigations
- (g) ICT Strategic Review

4. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Anti Fraud Team set up.
- (c) IDEA – Debtors
- (d) Overseas Travel
- (e) Batch Payments
- (f) Receipt of Tenders
- (g) Fraud Awareness exercise

5. **INVESTIGATIONS**

- (a) Pensions
- (b) DASS
- (c) Multicultural Centre
- (d) Children's Care Home

6. **OTHER**

- (a) Wirral Methodist Housing Association
- (b) Family Housing Association
- (c) 2 Final Accounts (totalling £1m examined)