WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

SUBJECT:	INTERNAL AUDIT PLAN 2011/12
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR SIMON MOUNTNEY
KEY DECISION ?	NO

1.0   EXECUTIVE SUMMARY

1.1   This report sets out the plan of work for Wirral Council's Internal Audit Section for 2011/12.

1.2   Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 requires the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control and to prepare a statement of internal control in accordance with proper practices. CIPFA and SOLACE have jointly determined that the preparation and publication of an Annual Governance Statement, published with the financial statements, is necessary to meet this statutory requirement. The scope of this governance statement incorporates consideration of not just internal control, but also risk management and other aspects of governance.

1.3   The regulations also require the findings of the review to be considered by a committee of the Council – the Audit Committee – or else by the Council as a whole.

1.4   The responsibility for implementing, maintaining and reviewing the system of internal control clearly rests with the Council, but the process by which the effectiveness of its system of internal control is reviewed, and the governance statement is made, includes obtaining assurances on the effectiveness of key controls. In practice, these assurances will be substantially drawn from the work of Internal Audit.

1.5   The Internal Audit Plan is therefore focussed on reviewing the critical areas and providing assurances to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement.

1.6   The plan amounts to a total planned resource of **3814** audit days, of which **2709** days will support the provision of the annual assurance opinion on the

effectiveness of the Council's control systems and the Annual Governance statement.

2.0   RECOMMENDATION

2.1   That the report is noted and the Audit Plan endorsed.

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 INTERNAL AUDIT OUTPUT

4.1   The Audit and Risk Management Committee is required by its terms of reference to advise on the adequacy of the Council's strategic risk management, internal control and governance processes.

4.2   The Committee is also required to review and approve the Council's Statements of Account, including the Governance Statement made annually by the Chief Executive and Leader of the Council. The Committee's terms of reference also oblige it to consider and challenge the annual Internal Audit Plan and the Statement of Internal Control, now subsumed within the Annual Governance Statement.

4.3   Appendix 1 sets out the Internal Audit Plan and explains the audit resources available to deliver the service and provide management with sufficient assurance for the Annual Governance statement.

4.4   In developing this plan the Internal Audit Section has:

- Considered the Council's corporate and individual departments' risk registers;

- Regularly met with the Chief Executive, Chief Officers, Members and departmental management teams to discuss their risks and related controls.

- Made its own assessment of the risks facing the Council.

The information derived from these consultations has been incorporated into the Internal Audit Plan.

4.5   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 Councils objectives.

4.6 The basis, on which the Internal Audit Plan has been prepared, specifically the risk based approach and the approach to the audit of corporate systems, has been discussed and agreed with the Audit Commission.

5.0 RELEVANT RISKS

If appropriate systems are not in place there is a risk of potential failure;

5.1 Of the Council not achieving its corporate objectives.

5.2 Of the 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.

5.3 To meet statutory requirements to provide adequate and effective systems of internal audit.

6.0 OTHER OPTIONS CONSIDERED

6.1 No other options considered.

7.0 CONSULTATION

7.1 Members of this Committee, Chief Officers and other stakeholders are consulted throughout the process of developing and delivering the Internal Audit Plan.

7.2 The Audit Commission has been approached for their views on the document.

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/72/11

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APPENDICES

Appendix 1: Internal Audit Plan 2011/12

REFERENCE MATERIAL

CIPFA Code of Practice for Internal Audit in Local Government
Chartered Institute of Internal Auditors Standards & Protocols for Internal Auditing

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual report presented to March meetings of this Committee during last 3 years.

WIRRAL COUNCIL

INTERNAL AUDIT SERVICE

ANNUAL PLAN 2011/12

Internal Audit Service
Treasury Building
Cleveland Street
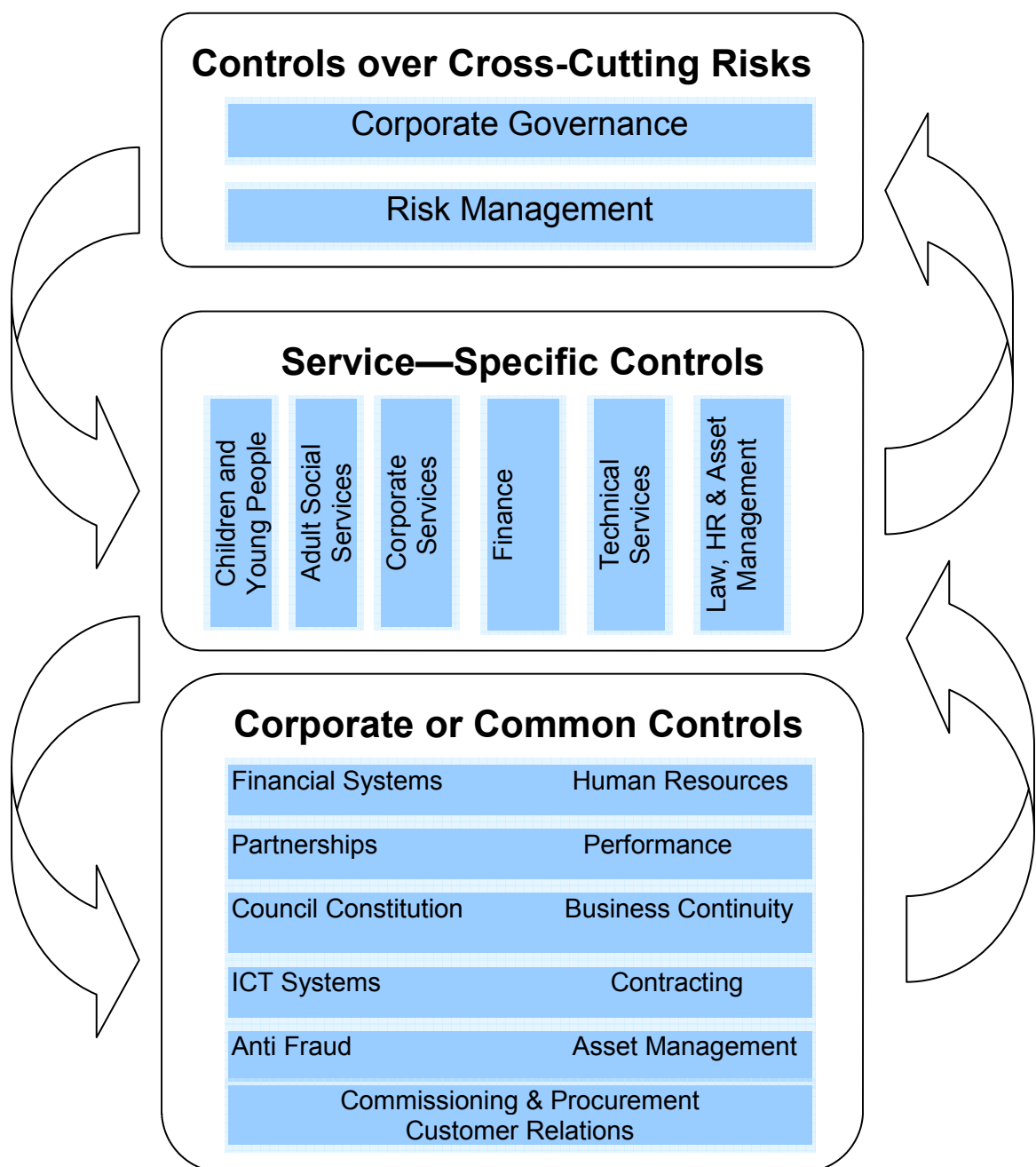**Birkenhead**
Wirral
CH41 6BU

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1. EXECUTIVE SUMMARY

1.1 The Council provides a wide range of services and its senior management teams will be aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks is managed by a set of controls designed to reduce the risk to an acceptable level and intended to operate effectively and consistently in practice. Likewise there are a number of corporate objectives and activities that affect individual departments, that bring their own risks and which are similarly subject to control.

1.2 The Audit and Risk Management Committee, and ultimately the Council, needs assurance that these controls have been adequately designed and are operating effectively in practice. Annually the Chief Executive and the Leader of the Council jointly sign an Annual Governance Statement which refers to the effectiveness of both the system of internal audit and internal control.

1.3 The assurance needed to make this statement is available from a variety of sources including external regulators, but also from the Council's Internal Audit Service. The audit plan identifies those areas where assurance is required but not otherwise available.

1.4 This Annual Internal Audit Plan for Wirral Council is intended to provide the assurance that the Chief Executive and Leader of the Council need that the risks to the Council's objectives are being adequately identified and effectively controlled.

1.5 The principles on which it has been developed and the corporate issues in particular have been discussed with the Chief Executive, the Director of Finance, Chief Officers and their management teams, Members and the Audit Commission.

1.6 In preparing this plan due recognition has been taken of the current financial pressures on the Council and the recent ongoing changes in the operating environment, in particular those arising from funding constraints and increased risks in those areas.

1.7 The Internal Audit Service has implemented a revised organisational structure to reflect the changes that have either been made or are planned across the Council. The audit establishment has been reduced by 6 members of staff to 19, most of who are employed on full time contracts and the plan based on this available resource.

1.8 The plan recognises and aims to provide assurance over the following controls and audit teams have now been structured to deliver this more effectively:

- Cross-cutting controls: These controls manage the risks arising from the Council's over-arching business objectives that cut across all service areas and departments.

- Service-specific controls: The controls designed to manage the risks arising in individual service areas or departments.

- Corporate, or common, controls: These are the controls that under-pin the Council's work whatever service is being provided and in whatever service area or department.

1.9 The plan amounts to a total resource input to Wirral Council of **3814 audit days** of which **2709** days are required to deliver those audits essential to provide the annual assurance opinion and support the delivery of the Annual Governance Statement.

1.10 This has enabled the service to identify and target audits to address all of the risks presented in the most efficient and effective manner. The service is fully committed to reviewing its own costs and service delivery on an ongoing basis to continue to provide the best value for money service possible in a very challenging environment.

1.11 The building blocks of our Audit Plan, are illustrated below.

The Council's Control Framework

Controls over Cross-Cutting Risks

Corporate Governance

Risk Management

Service—Specific Controls

Children and Young People

Adult Social Services

Corporate Services

Finance

Technical Services

Law, HR & Asset Management

Corporate or Common Controls

Financial Systems	Human Resources
Partnerships	Performance
Council Constitution	Business Continuity
ICT Systems	Contracting
Anti Fraud	Asset Management

Commissioning & Procurement
Customer Relations

2. BACKGROUND

2.1 The current legislative framework, as interpreted by the relevant professional bodies, sets out a requirement for the Internal Audit service to ensure that assurance is provided over the operation of the Council's key controls, and to gain an understanding of the various sources of assurance available to the Council.

The requirement for assurance over the operation of key controls

2.2 The plan is intended to provide assurance that key controls are identified and are operating effectively The Audit and Risk Management Committee is required by its terms of reference to advise the Council on its strategic processes for risk management, internal control and governance.

2.3 Regulation 4 of the Accounts and Audit Regulations 2006 requires the council to conduct a review at least once a year of the effectiveness of its system of internal control and to prepare a statement of internal control in accordance with proper practices. CIPFA and SOLACE have jointly determined that the preparation and publication of an Annual Governance Statement, published with the Financial Statements, is necessary to meet this statutory requirement The scope of the governance statement is wide, incorporating consideration of internal control and risk management as well as other aspects of governance.

2.4 The responsibility for implementing, maintaining and reviewing the system of internal control clearly rests with the Council, but the process by which the effectiveness of its system of internal control is reviewed includes obtaining assurances on the effectiveness of key controls. In practice, these assurances will be substantially drawn from the work of Internal Audit.

The framework of assurance

2.5 Regulation 6 of the Accounts and Audit Regulations 2006 also refers to the concept of the system of internal audit. This is defined by CIPFA's Audit Panel as the whole framework of available assurance that mirrors the framework of internal control, and is explicitly wider than the assurance available solely from the Internal Audit service.

2.6 The framework of assurance will derive from a variety of sources, but it is expected that the audit service will be in a position to take a holistic view of the assurance available.

3.   DEPLOYMENT OF INTERNAL AUDIT RESOURCES

3.1   The Audit Plan is stated in terms of days input, and this has been estimated as accurately as possible. However neither the resources available nor the exact time that will be taken for any single piece of audit work is capable of exact estimation at this stage. The plan therefore represents only a best estimate of the audit resources and the ways in which they will be deployed.

3.2   The plan is must be flexible and 'dynamic' by its very nature, to ensure that it can react and accommodate the identification of any unforeseen risks and the subsequent requirement for additional audits to be conducted in all areas during the year.

3.3   The planned overall deployment of audit resources on the Council's Internal Audit service is as follows:

Controls over Cross-Cutting Risks (S.4)
432 Days

Service Specific Controls (S.5)
1037 Days

Corporate or Common Controls (S.6)
1240 Days

Other Areas of Work / Management of the Service / Contingencies (S.7)
1105 Days

3.4   A more detailed breakdown of the plan by control system is shown overleaf and each of the separate elements of the audit plan for the Authority is explained in more detail on the pages below.

CONTROLS ASSURANCE	Estimated Audit Days	
Controls Over Cross Cutting Risks		
Corporate Governance	255	
Risk Management	90	432
Other Work (See Section 4)	87	
Service Specific Controls		
Adult Social Services	180	
Children and Young Peoples (Incl Schools)	370	
Technical Services	130	
Corporate Services	174	1037
Law, HR and Asset Management	83	
Finance – Pension Fund	100	
Corporate or Common Controls		
Financial Systems	500	
ICT Systems	170	
Anti-Fraud	200	
Commissioning and Procurement	60	
Human Resource	40	
Partnerships	20	1240
Constitution	20	
Asset Management	40	
Contracting	120	
Customer Services & Cash Collection	70	
Total - Controls Assurance Opinion		2709
Other Areas of Work (incl Follow Ups)	920	
Management and Contingencies	185	1105
Total Audit Plan		3814

4. CONTROLS OVER CROSS-CUTTING RISKS

4.1 There are a number of important areas that cut across all the work of the Council and that should always form part of the Audit Plan; governance and risk management in particular. Audits are scheduled to be completed in those areas that include;

- Ongoing input throughout the year to the Council's governance processes, working with managers to ensure that systems and procedures are effective and efficient. Included within this initiative will be detailed reviews and testing of existing arrangements and the formulation of actions required to improve current operations in line with best practice.

- The annual governance exercise to be completed in compliance with the CIPFA/ SOLACE document "Delivering Good Governance in Local Government" (2007), encompassing obtaining assurances from Chief Officers and senior managers, review of some key elements of the governance structure, and the review of external reports. The results of the review are used to inform the production of the Annual Governance Statement for publication in the Council's Statement of Accounts.

- A review of the implementation of recommendations identified in Audit Commission reports, especially the Annual Audit and Inspection letter.

- A review of the Council's risk management arrangements is to be completed during the year in accordance with the CIPFA publication "It's a Risky Business" to evaluate the degree to which these systems are embedded into the culture of the organisation.

- A number of reviews of the Budgetary Control systems in operation including working with Financial Services to evaluate the centralised Accountancy function and individual audits within departments to ensure that budget setting, monitoring and reporting of issues are accurate, timely and relevant.

4.2 There are other areas that may also be regarded as critical and require periodic review, for example the Council's role as the accountable body for substantial government funding to other organisations in the area, and partnership working which is a recurring theme.

4.3 A review of the Council's arrangements to reduce its Carbon footprint is scheduled for 2011/12 to evaluate the likely effectiveness of the planned measures identified.

4.4 We therefore plan to spend **432** days in total reviewing controls over cross-cutting risks.

5. SERVICE SPECIFIC CONTROLS

5.1 Following the Council's recent EVR/Severance exercise Internal Audit have assessed the risks facing systems in operation within each department taking account of revised structures and some fundamental changes to the way in which services are to be delivered in these areas, and devised a risk-based audit plan based on this. A judgment has been made within the audit team of the relative weightings of each risk identified (based on a combination of the significance, nature and impact of each risk, and its likelihood), and this has served as a benchmark against which the audit input to each area has been assessed. Our assessment has also been informed by detailed discussions with Chief Officers and Members, examination of risk registers, plans and similar documents developed by each department and by participation in the development of risk management processes including on-going liaison with the Corporate Risk Manager.

5.2 Audit resources have been set aside for each department and service area to address the need to liaise with the senior management teams on a regular basis, to report our work to them, and to follow up and re-assess our findings as the actions previously agreed with management are implemented.

5.3 Key elements of the audit plans for each department are set out below.

Adult Social Services

5.4 The department continues to operate in a challenging environment where it is under pressure to examine the services it provides and those it commissions to deliver positive outcomes for service users in an efficient and effective manner within constrained resources. Our work will focus on a number of initiatives underway in the department to respond to these key pressures.

5.5 The department is still working towards the implementation of the Personalisation Agenda, which is changing the organisation of social care into directed support, with the further roll out of individual service user budgets to achieve take-up targets set by the Department of Health. This radical change to more directed support will continue to place an emphasis on partnership working between families, individuals, services, local authorities, central government and many other organisations. Significant control issues arise as a result of this fundamental shift towards providing individuals with substantial resources to provide for their own needs and this must be effectively managed and controlled both in terms of service provision and finance. We plan therefore to review the complete operation of the system and to provide specific guidance, advice and assurance regarding the efficiency, and effectiveness of controls over the ongoing work of the department.

5.6 We will also continue to monitor the various actions taken by the department in response to the PIDA investigation and subsequent reviews.

5.7 Service user finances continue to be a key risk area to the department. Our work will include the review and testing of the control arrangements put in place around financial assessments so as to minimise the risks of loss to vulnerable service users and the Council.

5.8 A review of the effectiveness of the Department's planning; risk and performance management has been requested by Senior Management. This

review is particularly pertinent given the recent structural changes in the Department and the introduction of new management systems.

5.9 A review is planned to ensure that robust controls exist over Inter-Authority payments made for care placements.

5.10 Other scheduled work includes evaluating controls over residential, nursing and domiciliary accredited providers in use from 1st April 2011.

5.11 Our planned work for 2011/12 amounts to **180** days.

Children and Young People

5.12 The review of Schools is to be undertaken via two strategies. Firstly, by completing full audit reviews of the controls at a sample of schools assessed as "high risk" following an evaluation exercise utilising key risk factors. Secondly, important cross-cutting themes will be reviewed across a number of schools so as to enable more timely assurances to be provided on controls in key systems, such as Payroll and Personnel, and Budget and Treasury Management.

5.13 A review of the funding arrangements for Institutions Providing Education to the 16-19 Age Group is planned. This is particularly pertinent in the light of existing and planned changes to the Central Government systems for providing such funding.

5.14 A review of the effectiveness of the system of Foster Care is planned. This will focus on the controls over the financial procedures, monitoring and assessment.

5.15 The financial controls and ongoing monitoring of Out of Borough Social Care placements is planned. This is a particular challenge for the Department, in both budgetary and care terms.

5.16 Our planned work for 2011/12 for the department amounts to **370** days including **200** on Schools.

Technical Services

5.17 Highways Maintenance continues to present risks to the Council and, as such we plan to appraise the operation of the arrangements with Colas Ltd to ensure that agreed commitments are being delivered. We also intend to evaluate the effectiveness of the control arrangements in place over monitoring, management and payment, in addition to providing ad hoc advice over relevant control issues.

5.18 Work is planned relating to the departments arrangements for claiming Local Transport Plan grant funding and the approval of schemes identified to receive this funding. The work will involve an examination of outcomes across all of the identified schemes such as signage, traffic calming and cycle routes, for relevance and appropriateness and include an evaluation of the monitoring and reporting systems currently in place.

5.19 A review of the financial procedures within the Cultural Services Division of the Department is planned, so as to provide assurance that the Division is applying corporate and departmental systems appropriately.

5.20 Given its prominence on the Corporate Risk Register, Health and Safety procedures are to be reviewed so as to provide an assurance that established control measures to mitigate the significant risks are effective.

5.21 Ongoing advice and guidance will be provided to support the appraisal of options for the provision of Indoor Recreation Facilities. A number of visits to these centres are actually planned during the year to evaluate the effectiveness of the current systems in operation.

5.22 Improving death and serious injury rates on Wirral's roads is a key corporate priority, and a review of Road Safety Initiatives will evaluate how the Council works with partners so as to achieve this objective.

5.23 We have allocated **130** days to carry out our planned work for 2011/12.

Corporate Services

5.24 A range of grant-funded initiatives, including Working Wirral and elements of the European Social Fund will be reviewed to ensure that effective governance is in operation, and that appropriate procedures are in place for the completion and evidencing of claims.

5.25 A review of the effectiveness of key controls within the Housing Division of the Department has been requested by Senior Management. This is particularly pertinent in the light of recent staffing changes.

5.26 Evaluation of procedures underpinning the application for, and payment of, Grants to local businesses is to be undertaken. Given the current economic climate, such grants are likely to be in high demand and so robust controls need to be in operation so as to ensure effective utilisation of available funds.

5.27 At this stage **174** days have been allocated within the audit plan for this service.

Law, HR and Asset Management

5.28 Key risks identified in this area of service delivery are predominantly associated with systems that are identified as being of a corporate or common nature. Work identified in the audit plan for 2011/12 to evaluate the efficiency and effectiveness of arrangements in place have been identified at Section 6 of this report and include such things as Partnerships, Severance Schemes and Absence Management.

5.29 A review of the Department's arrangements for planning, risk and performance management is planned, so as to provide assurance that effective controls exist.

5.30 A review of the Debt Recovery function within Legal Services is to be undertaken, so as to provide assurance that income from sundry debtors is maximised and that any legal action is cost effective and appropriate.

5.31 Our planned coverage for 2011/12 amounts to **83** days.

Finance Department

5.32 Our work in this department during the year will continue to focus pre-dominantly on audits of the key financial systems. More detail can be found regarding scheduled work in this area at Section 6 of this report. In addition to this, a number of audits are scheduled to evaluate the controls in operation

across other services currently managed by the department that present a risk to the organisation, for example Information Management which includes Records Management and Freedom of Information systems.

Pensions

5.33   The Pension Fund presents significant risks to the organisation due to the very complex, high profile nature of the work undertaken and the significant monetary value of the fund. Our work in 2011/12 will continue to focus on three distinct areas:

- Governance of the Pension Fund;

- Management of the fund's assets; and

- Pension's Administration and Payroll – processes and systems.

5.34   Our planned coverage for 2011/12 amounts to **100** days.

6.   CORPORATE CONTROLS

6.1   The Council's work is underpinned by controls are operated in common across the whole organisation. We have discussed what other corporate or common controls exist to manage the Council's key risks with the Director of Finance, the Members and Chief Officers during the course of our planning process.

6.2   The audit plan therefore includes provision for **1240** days on corporate or common controls, broken down as follows:

Financial Control Systems

6.3   Financial control is a key element of the Council's overall control environment. Therefore audits of the core financial systems under-pinning the operations of the Council are included in the Audit Plan. To comply with the International Financial Reporting Standards (IFRS), we have identified the core financial systems and agreed them both with the Director of Finance and the Audit Commission. They include

- Main Financial Information systems,

- Payroll,

- Treasury Management,

- Housing Benefits

- Revenue systems i.e. Council Tax, Business Rates and Sundry Debtors.

Reviews of all these systems have been designed to include specific work on the risks associated with non compliance with the International Auditing Standards and the scheduled centralisation of Revenue functions within the Finance Department.

6.4   We plan to continue to audit each system from the corporate centre to individual services and back to ensure that we address each system as a whole. This approach, agreed with the Audit Commission will allow them to place more reliance on our work both as part of their assessment of the Council's overall risk and control environment, and to obtain audit evidence over the systems by which the Council's financial reports are generated.

6.5   The plan includes **500** days to cover the Council's key financial systems, including work on centrally operated controls and those operated within departments, and work using computer assisted audit techniques to test the data processed through these systems.

ICT Systems and Controls

6.6   The plan includes **170** days on the key corporate ICT and information systems and, together with our work on the financial systems; these areas will provide the core assurance required by the Director of Finance as the Section 151 Officer.

6.7   In the light of ongoing national government initiatives, such as the Government ICT Strategy and the Protection of Freedoms Bill, we will continue to advise on the controls being developed for the protection of personal and sensitive information that is transferred or shared with bodies both within and outside of the Council.

6.8 Changes in departmental structures and roles & responsibilities, resulting from the recent severance exercise may expose ICT systems to significantly increased risks in some areas. We will review the control environment to ensure that it remains robust and effective and that where controls are dramatically weakened appropriate actions including compensating controls are implemented to negate the threat presented.

Commissioning and Procurement

6.9 To provide services which meet the needs of the people of Wirral, and develop improved outcomes cost effectively, it is essential that the Council has effective procurement arrangements. We intend to review the effectiveness of the current arrangements operated within the central function and in departments, specifically identifying areas of good practice which can be shared across other service areas. We will also provide advice and guidance on the control environment to any teams established to develop and improve the service utilising the latest technology.

6.10 We have allocated **60** days for this work.

Human Resources Systems and Controls

6.11 The Council's priority is to further reduce working days lost due to sickness absence continues to be closely monitored at the highest levels, especially in the current environment. With this in mind, we intend to provide assurance over the adequacy and effectiveness of the corporate absence management system. This will involve reviewing the consistency with which policy has been implemented throughout departments, and we will also consider the development of the electronic management system, paying particular attention to the accuracy and timeliness of management information reports which ultimately feed into key performance information for the Council.

6.12 Chief Officers have identified a number of key Council initiatives in this area for review that include the Payroll Self Service system, Job Evaluation, Redeployment and Severances Policies and Procedures. The main focus of the work will be to ensure consistency of compliance across the Council, the accuracy of calculations undertaken and payments made, and the effectiveness of the reporting procedures in operation.

6.13 Our plan includes **40** days to address this work.

Partnerships

6.14 In recent years the Council has undertaken a significant amount of work to improve the way that it operates in partnership with other organisations including the preparation of a Partnership Toolkit for this purpose. Internal Audit will be focussing its work during the year on the governance of these partnerships, examining the contract agreements with partners, specifically the delivery of agreed outcomes, monitoring of targets and reporting lines, and financial aspects such as pooled budgets

6.15 We have allocated **20** days in the audit plan for 2011/12 to review these arrangements.

Constitution

6.16 A detailed review of the Wirral Council Constitution and its implementation is scheduled for 2011/12 to ensure that the document is clear, comprehensive, fit for purpose and free from any contradiction. Work has been planned to examine the following five themes throughout the year to verify consistency of operation and compliance:

- Overview of the document and implementation

- Articles

- Responsibilities

- Rules

- Codes

6.17 Our plan includes **20** days to undertake this work.

Asset Management

6.18 An evaluation of the roles and responsibility of the Asset Management function, the procedures for acquisition, disposal and revaluation of assets, compliance with relevant legislation and regulations and an assessment of the planned rationalisation of Council assets program is scheduled to be completed.

6.19 The service will continue to be involved in initiatives that will involve the scrutiny of works schedules and costings submitted for payment by contractors, in conjunction with the Quantity Surveyor. The aim of this exercise being to identify any potential savings for reinvestment in the project.

6.20 **40** days are included in the audit plan to complete this work during 2011/12.

Contracting

6.21 We plan to continue to provide input to the strategic partnering arrangements currently operated by the Council. We also plan to review the effectiveness of the Contractor partnering arrangements that have been in operation for some time and were introduced to gain a number of benefits including, amongst other things, better cost/ time predictability and improvements in user satisfaction.

6.22 The Service will continue to be represented on the PACSPE Board, providing input on the effectiveness and robustness of the operating environment and compliance with best practice guidance regarding the management of this type of procurement exercise. Our aim is to ensure that key objectives of service improvement, investment in the infrastructure and value for money are the focus of the delivery options considered, Council rules are complied with and effective consultation and benchmarking is undertaken throughout the process.

6.23 We also plan to include reviews on the quality assurance process and tendering arrangements in operation across the Council. In addition, a sample of tendering procedures and service contracts will be examined in detail to

ensure that the service is effective and potential fraud threats have been considered and negated during the process.

6.24 The management and delivery of major works contracts present a significant risk to the Council and consequently we plan to undertake a significant amount of work in this area during the year. The focus of this work will be on the scrutiny of final amounts paid to contractors for a sample of projects evaluating the evidence trail for any significant variances from the original contracted total and for compliance with the Council's Constitution.

6.25 We will continue to provide assurance on the final accounts with contractors on a sample basis in accordance with section 17.3 and 17.4 of the Council's Contract Procedure Rules.

6.26 Our planned work for 2011/12 amounts to **120** days.

Customer Services & Cash Collection

6.27 The Cash Office at the Conway Centre now receives and processes all cash and cheque payments from over 200 Wirral establishments. This has resulted in a large increase in the number of receipts being processed and monies banked by the Cashiers. We therefore plan to review the controls in operation over these functions to ensure that they remain efficient, effective and robust.

6.28 Libraries merging with existing One Stop Shop facilities to form the basis of new centres throughout the borough, a theme also consistent with the Council's Customer Access Strategy will present a challenge to the Council. Consequently a number of pilot sites have been identified across the borough and services are currently in the process of being integrated. It is our intention to undertake a review of these pilot sites to evaluate the effectiveness of controls implemented. The aim of these audits is to ensure that all risks associated with this significant type of service re-engineering initiative, that might prevent overall objectives from being achieved or any weakening of existing financial controls have been adequately considered and acted upon.

6.29 Planned work for 2011/12 amounts to **70** days in total.

Controls to Manage the Risk of Fraud

6.30 During 2010/2011 significant progress was made with regard to the development of the Counter Fraud Team as a corporate resource to deter fraud.

6.31 An exercise was completed to raise the awareness of Wirral Council employees to fraud. Utilising a questionnaire, the exercise raised staff awareness to the threat of fraud, identified the existing policies and procedures which Wirral Council has in its armoury to fight fraud whilst also identifying training needs amongst those staff included in the survey.

6.32 Key areas included in the Audit Plan to address issues raised during the questionnaire exercise include the following initiatives that will be delivered during the year:

- Implementing Fraud Awareness Training to ensure that all Council staff are better prepared to identify potential frauds and are aware of what actions are required by them to reduce the risk of fraud; and following potential identification, the correct reporting procedures to follow,

- Promoting a counter fraud culture amongst all Council staff to prevent potential opportunities for fraud from arising. and ensuring that appropriate polices and procedures are either in place or developed to deter the would be fraudster. This will be undertaken through attendance at team and management meetings, circulating fraud newsletters, utilising the Intranet, and providing ongoing best practice advice and guidance in a variety of different ways throughout the year.

6.33 Other work identified in the Counter Fraud section of the Audit Plan is concerned with detecting fraud, for example through the use of audits of the following systems where detailed testing and scrutiny will be conducted utilising Computer Aided Auditing Techniques to examine and test 100% of the output for potential frauds:

- Payroll
- Creditors
- Debtors
- Pensions
- Travel
- Expenses
- Car Mileage
- Corporate Credit Cards
- Mobile Phone Systems
- Use of Taxis

6.34 In addition, all potential frauds against the Council will be investigated by the team and following this appropriate advice and guidance provided to managers and officers to enable them to implement improved fraud prevention and detection systems.

6.35 We have allocated **200** days for this work.

7.   OTHER AREAS INCLUDED WITHIN THE AUDIT PLAN

This section identifies work which is important to the effectiveness of the Council and the achievement of its objectives but does not necessarily support the annual assurance opinion provided. The work is considered essential to the well being of the organisation and complies with CIPFA best practice guidance. Audits have been scheduled to provide assurance to management regarding the effectiveness of systems in the following areas amounting to **1105** audit days. Included in this is an allocation of **185** days for contingencies and management support provided by internal audit, as detailed at 7.14 and 7.15.

Service Delivery Areas and Follow Ups

7.1   We will evaluate progress made to address issues identified during earlier audit reviews within all individual service delivery areas and report to Committee any significant issues identified.

Strategic Change Programme

7.2   The Council's ongoing commitment to introduce efficiencies and service improvements is evidenced through the Strategic Change Programme. This is regarded as a key corporate driver for delivering the improvements and cost reductions which the Council will need to make in order to maximise the delivery of efficiencies.

7.3   Internal audit work during the year will evaluate the efficiency and effectiveness of controls in operation and the value added as a result of the projects.

7.4   The Council has provided additional resource to deliver a program of 'assurance' work in this area. This involves an assessment of the assurance process in forming an overall view of how risks and objectives are being managed for the Strategic Change Programme Board.

ICT systems

7.5   We plan to consider the progress of IT Services in providing efficient and effective support to users, and implementing controls over service users, in response to the increasing demands to support the delivery of services throughout the Council and include such audits as Agile Working, use of the Government Communications Secure Extranet (GCSX), Data Centre Carbon Reduction and the Management of Information throughout the Authority.

7.6   We will continue to support new ICT projects scheduled across the Council, providing advice, guidance and support over a range of these projects that include Desktop Virtualisation, Automated Invoice Scanning, implementation of a new Pensions Administration system and Tiered Data Storage.

7.7   Following the SOCITM review of ICT Service Delivery, IT Services will be implementing significant changes to ICT Service Management and Delivery, including expanding the IT Helpdesk into a fully-functioned Service Desk, and implementing the ITIL (Information Technology Infrastructure Library)

framework. These developments will improve the service provided to staff and members by more clearly defining roles and responsibilities, and by better managing the flow of information between customer, service desk and technical staff. Internal Audit will monitor the progress of these changes and provide independent advice to ITS management as required on a range of issues relating to the revised control environment.

7.8   Our planned work in this area amounts to **100** days during 2011/12

Schools

7.9   Wirral Internal Audit services has over the previous three years been contracted to provide an annual assurance service to Schools regarding their compliance with the requirements of the DCFS's now defunct Financial Management Standard in Schools (FMSIS). The current government has indicated that a system to replace FMSIS is to be introduced during 2011/12, and we will continue to monitor this situation.

Managing Fraud

7.10   The Counter Fraud Team in Internal Audit is responsible for investigating identified major financial fraud against the Council along with the completion of other proactive anti fraud work identified, including testing the data provided by the Audit Commission's National Fraud Initiative. This is effectively a large-scale programme of computer assisted audit techniques undertaken nationally, which generates a variety of indications of potential irregularities that are investigated and appropriate actions taken.

7.11   Building on from the anti fraud questionnaire exercise undertaken during 2010/11 and identified in 6.31 an online fraud awareness training package has been purchased. This will be tailored to reflect precisely Wirral's policies and procedures and will then be rolled out to all staff with access to the internet during 2011/12. Additionally, Money Laundering training will be delivered to those employees identified by their managers as requiring a detailed understanding of this legislation.

7.12   The Bribery Act becomes effective later this year and Local Authorities are required to demonstrate compliance through the introduction of various policies, procedures and working practices not previously required. The Internal Audit service plans to undertake some work in this area during 2011/12 to evaluate progress made by the Council to comply with legislative requirements. We also intend to work with officers, providing advice and guidance regarding the formulation of new systems to accommodate these requirements.

7.13   The resource planned to deliver this work for 2011/12 currently amounts to **270** days in total.

Miscellaneous

7.14 An allocation of **185** days has been made for contingencies to be utilised during the year to provide additional support to those areas of the organisation identified as presenting significant risks and having, due to circumstance, not been previously considered during the planning process.

7.15 Another **200** days have been set aside to cover other management and tasks in support of the Internal Audit service to the Council, such as:

- Liaison with departmental management teams, the Chief Executive and the Chair of the Audit and Risk Management Committee,

- Liaison with the Audit Commission;

- Attendance, support, and reporting to the Audit and Risk Management Committee as required;

- Supporting Service Managers.