

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

1 DECEMBER 2008

REPORT OF THE DIRECTOR OF FINANCE

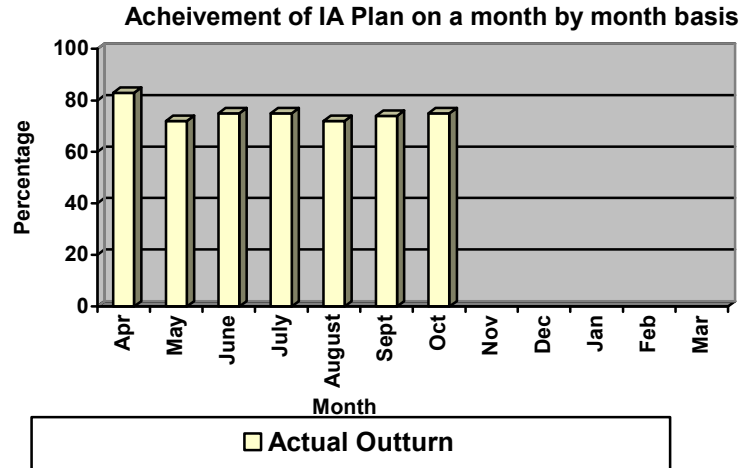
INTERNAL AUDIT WORK: SEPTEMBER TO NOVEMBER 2008

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 and includes details of the actual work undertaken over the period and the number of 'High' risk recommendations identified in reports. Items of significance identified during the audit process that require the attention of the Members are detailed.

2. INTERNAL AUDIT – PERFORMANCE

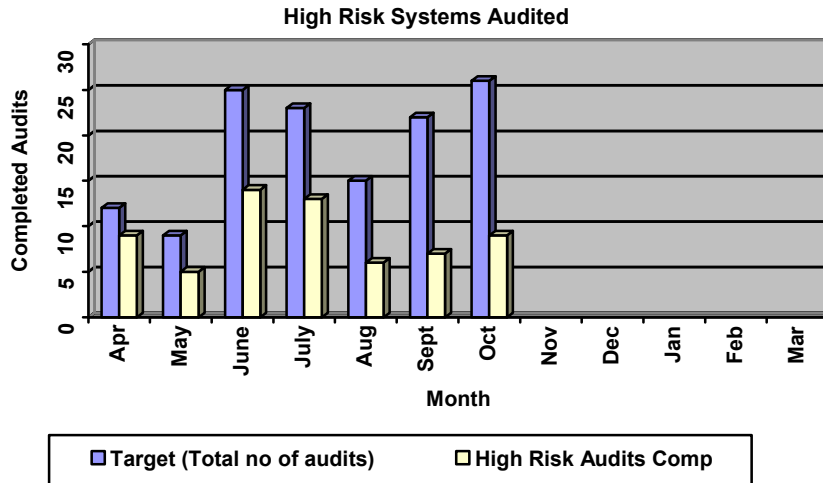
- 2.1. This report summarises the audit work completed between 1 September 2008 and 10 November 2008. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 75 audit reports were produced during this period. 88 high and 55 medium priority recommendations were identified in the reports issued. 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 Internal Audit Section constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas as identified for the period 1 September 2008 to 31 October 2008:
 - 2.2.1. To ensure that 90% of the Internal Audit plan is completed by 31 March 2009.



- a. This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the audit plan. For the seven months of the year to date achievement has averaged 75% against a target of 90%. This is primarily as a result of staffing resource problems being experienced over the period. However, whilst this is an important measure, it is of more relevance for the Council to ensure that the major risks to the Authority are reviewed.
- b. The Internal Audit Plan comprises a substantial number of audits designed to review the risks to Council systems. These audits are weighted according to the significance of the risk posed and ranked as either high, medium or low priority. It is essential that all of the high risk audits are completed during the audit plan year.

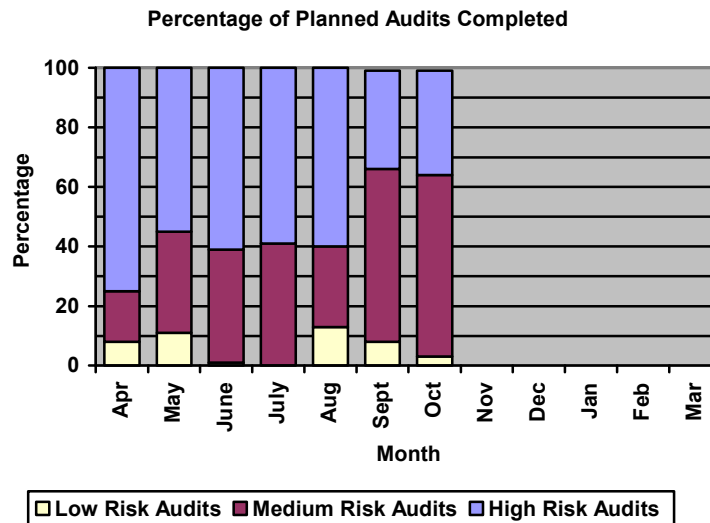
2.2.2. High Risk systems audited as a percentage of total audits completed.

- a. To ensure that all of the key risks identified in the Internal Audit Plan are reviewed, I monitor the number of high risk audits undertaken as a percentage of all audits and have prioritised the delivery of these audits and focused on these during the year. This is analysed in more detail in the chart below.



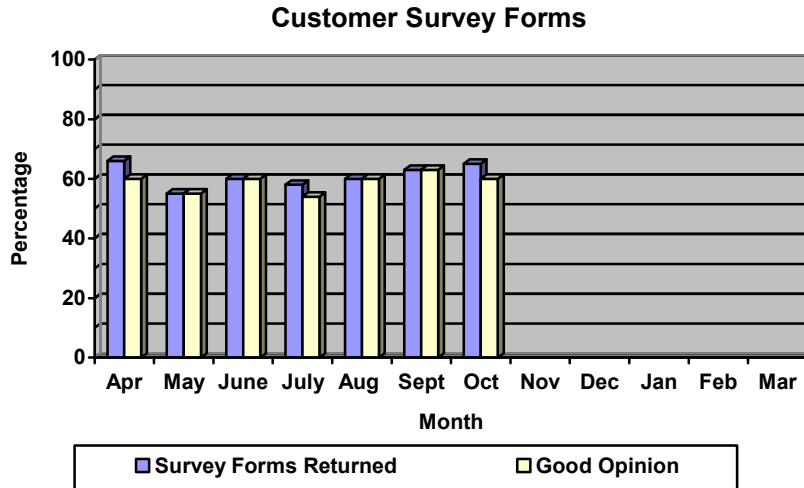
- b. The chart clearly identifies that the number of high risk audits undertaken is a significant proportion of the total number of audits completed each month, particularly in the early part of the year, and reflecting the deliberate policy of the Internal Audit Section to complete as many of these audits as early as possible. Of the 89 high risk audits identified in the audit plan 63 of these have actually been completed to date and Internal Audit is on target to complete all of these by the year end.
- c. As a result of this, any further shortfall in delivery of the audit plan in the later part of the year should not impact significantly upon the completion of these high priority audits.

2.2.3. Planned audits completed.



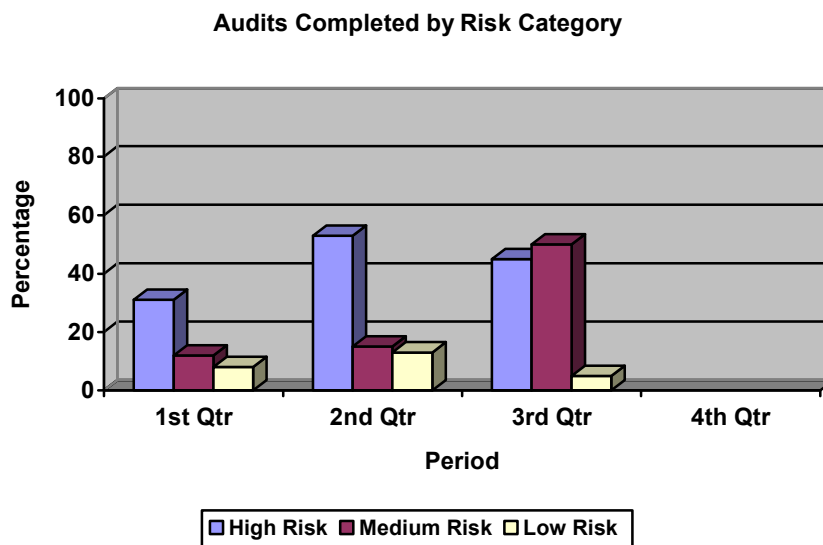
- a. I measure the estimated number of planned audit reports which will be completed each month. It is expected that 327 audit reports will be issued this year. To date 155 reports have actually been produced, representing a proportionate figure of 47% of the total number of reports, and including 71% of the proportionate high risk audit reports.
- b. The performance is below target for this time of the year and is directly related to the staffing issues which have been experienced during the year to date. Attempts have been made to address this issue and a recent recruitment drive has resulted in three of the five vacancies being filled, although only one of these has been by an external candidate.

2.2.4. 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 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 recurrence.

2.2.5. The percentage of audits completed by risk category.



- a. This chart reflects the deliberate policy of the Internal Audit Section to ensure that all high risk audits are completed during the year as it is essential to the well being of the Council that any risks in these areas are addressed. It is anticipated that with existing resources all of the high risk audits and a significant proportion of the medium risk will be completed. Any audits that are unable to be undertaken during the year will be carried forward to next years Audit Plan and the risk to the effectiveness of Council systems re-assessed as part of this process.

2.2.6. Follow up Audits

- a. 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 relating to work undertaken this year have now been completed and the remainder are currently ongoing. 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. All the audits were of systems categorised as 'High Risk' except those identified with an asterisk.

Audit	Total Recs Agreed	Recs Not Agreed
* Capital Investment Programme	2	-
Finance Gifts and Hospitality – Follow Up Review	1	-
Credit Cards – Follow Up Review	3	-
Transport - Review	3	-
Members Gifts and Hospitality – Follow Up Review	1	-
DASS Gifts and Hospitality – Follow Up Review	4	-
Accreditation Listing	3	-
Corporate Services Gift and Hospitality – Follow Up	1	-
Performance Indicators – Mid Year Review	1	-
FMSIS Review – Liscard Primary School	2	-
FMSIS Review – Leasowe Early Years	4	-
FMSIS Review – Christchurch (Birkenhead)	10	-
FMSIS Review – St Albans School	7	-
FMSIS Review – St Annes Primary School	7	-
FMSIS Review – Overchurch Junior School	8	-
FMSIS Review – Thornton Hough School	5	-
FMSIS Review – Woodchurch Primary School	9	-
* Aids and Adaptations - Review	2	-
Annual Governance Statement - Review	1	-
Training	3	-
* Cheque Control - Review	1	-
Contracts Insurance – Review	1	-
Community Energy Efficiency Fund	1	-
* Coastal Survey Contract	1	-
Surveillance Systems – Review	4	-
* The Oval Engineering Works – Final Accounts	1	-
* Abakhan Properties – Final Accounts	1	-

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 agreed recommendations. Follow up audits will be completed over the next six months.

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 2008/09.

11.2. Audit Reports.

12. RECOMMENDATION

12.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/271/08

APPENDIX I

INTERNAL AUDIT PLAN 2008/09

WORK CONDUCTED/ONGOING – 1 SEPTEMBER to 10 NOVEMBER 2008

1. SYSTEMS

- (a) Finance
 - Training
 - Cheque Control
 - Credit Cards
 - Conflict of Interest
 - Council Tax Debit Control
 - One Stop Shops
 - Creditors
 - Risk Management
 - Debtors
 - Housing Benefits
 - NNDR
 - Capital Investment Programme
 - Archiving

- (b) Corporate Services
 - Local Area Agreements
 - Performance Indicators

- (c) Children & Young People
 - Schools
 - Financial Management Standard in Schools
 - Creditors
 - Transport

- (d) Technical Services
 - Contract Tendering Procedures
 - Highways Procurement
 - Contracts Insurances
 - Estimates for Works Contracts
 - Asbestos Works - Tendering
 - Coastal Survey Contract
 - Abandoned Vehicles

- (e) Regeneration
 - Community Energy Efficiency Fund
 - Licensing Income Management
 - Pacific Road Bar Operation
 - Neighbourhood Renewal Fund
 - First Home Scheme
 - Trading Standards Business Support
 - Environmental Health

- (f) Corporate Systems
 - Corporate Governance
 - Corporate Complaints
 - Regulation of Investigatory Powers
 - Risk Management
 - Performance Management
 - National Fraud Initiative
 - Money Laundering
 - Health and Safety
 - Credit Cards

- (g) Adult Social Services
 - Gifts and Hospitality
 - Risk Management
 - Accreditation Listing
 - Charging Policy
 - Whistleblowing Policy

- (h) Law, HR and Asset Management
 - Contracts
 - Governance
 - Members Gifts and Hospitality
 - Absence Recording
 - Access
 - Payroll

2. **SCHOOLS**

- (a) 13 FMSIS Schools

3. **OTHER ESTABLISHMENTS**

- (a) Sports Centres
- (b) Birkenhead Central Library
- (c) Community Centres

4. **ICT**

- (a) Data Security Standards (PCI)
- (b) Data Transfer Security
- (c) Members ICT Governance

5. **PERFORMANCE AND BEST VALUE**

- (a) Performance Indicators
- (b) Local Area Agreements

6. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Mobile Telecommunications
- (c) Money Laundering

7. INVESTIGATIONS

- (a) PIDA
- (b) Print Unit
- (c) Pension Fund

8. OTHER

- (a) Wirral Methodist/Family Housing Association's
- (b) 6 Final Accounts (totalling £ 1 million) examined