



AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 10 March 2020

REPORT TITLE:	INTERNAL AUDIT UPDATE
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st January to 21st February 2020. There are four items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 3.3.

RECOMMENDATION

Members of the Audit and Risk Management Committee note the Internal Audit update report

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified by CIPFA and the CIIA.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1. Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely basis. This report supports these arrangements by focussing on the following:
 - Any items of note arising from audit work conducted,
 - Any issues arising that require actions to be taken by Members,
 - Performance information relating to the Internal Audit Service,
 - Developments being undertaken to improve the effectiveness of the Internal Audit Service.
- 3.2 The information contained within this report is for the period 1st January to 21st February 2020.
- 3.3. **Items of Note**
 - 3.3.1 National Fraud Initiative (NFI)
 - 3.3.2 The NFI is a mandatory exercise run by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The exercise is run every two years, with the exception of Council Tax Single Person Discount (SPD), which is run annually.
 - 3.3.3 NFI users are responsible for following up and investigating the matches, and identifying frauds and overpayments.
 - 3.3.4 Each service area included in the NFI exercise has a key contact responsible for co-ordinating the follow-up of data matches. Internal Audit provides the corporate lead, meeting with all key contacts on a regular basis to provide necessary support and guidance.

- 3.3.5 For the 2018/19 exercise, the majority of the matches were released at the end of January 2019, with the exception of Creditor matches which were released in March 2019 and Council Tax Single Person Discount matches which were released in December 2019.
- 3.3.6 The timetable for the investigation of the matches as identified by the Cabinet Office, is the 31 March 2020. The majority of investigations should therefore be completed by this time so that the Cabinet Office can calculate the total outcomes from the 2018/19 national exercise.
- 3.3.7 The table below is a summary of the progress made by the Council to review the biennial matches as at 20 February 2020. This shows that 41% of total matches have been cleared / investigated / or are in progress.

Description	Value
Total number of reports	99
Total number of reports closed	52
Total number of matches	14,514
Total number of matches cleared/investigated/in progress	5,895
Percentage of total matches cleared/investigated/in progress	41%
No of frauds/overpayments identified to date	983
Value of fraud/overpayments identified	£751,646

- 3.3.8 It should be noted that the 'Value of Fraud/Overpayment' figure contains an amount of £531,360 which relates to a nominal figure the Cabinet Office has estimated for entries on the Housing Waiting list that should no longer be on the register. (The Cabinet Office has calculated that £3,240 is the value per case, based on the annual cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided property).
- 3.3.9 The remaining amount of actual fraud/overpayment is made up of the following:
- Housing Benefits – 345 overpayments totalling £101,694
 - Council Tax Reduction Scheme – 138 overpayments totalling £30,740
 - Pensions – 29 overpayments totalling £87,852
 - Blue Badges – 307 with no value
- 3.3.10 A further update on the outcomes from this exercise will be included in the annual Counter Fraud Update report to the next meeting of this Committee

3.3.11 Wirral Health and Care Commissioning

3.3.12 A joint review of Wirral Health & Care Commissioning (WH&CC) has recently been conducted in conjunction with Mersey Internal Audit Agency (MIAA), who are the internal auditors for NHS Wirral CCG. The review identified a Moderate assurance that WH&CC have robust arrangements in place to manage their key financial and governance risks and a number of key recommendations were agreed with senior management to improve current arrangements that included:

- Reviewing the Terms of Reference for WH&CC's Pooled Fund Executive Group (PFEG), and improving the timeliness of producing reports for the Group;
- Improving further the presentation of the pooled fund finance reports reported to PFEG and expanding the service reporting for the Learning Disabilities / Mental Health Transformation Programme;
- Strengthening procedures to ensure that the corporate risk register is subject to quarterly review by the Joint Strategic Commissioning Board, and the equivalent Committee / Board post changes in May 2020.

3.3.13 It is also recognised that there will be work required to develop new governance arrangements for WH&CC following the Council's proposed change to a Committee system in May 2020.

3.3.14 Internal Audit have more work scheduled of this nature during 2020 and the outcomes and findings will continue to be reported to this Committee.

3.3.15 Procurement Rules

3.3.16 An audit was undertaken during the period to test and evaluate the controls in operation in the Procurement Rules Approval Document system. The audit identified two high priority recommendations that were agreed with management and designed to improve arrangements relating to the secure control of completed contract documentation and the need for Commissioners to contact Procurement officers when requesting an exception to the rules within a reasonable timeframe to enable appropriate research and a decision to be made appropriately and accurately. Failure to comply with the latter recommendation could lead to Procurement having little option at times but to agree to an exception which could result in reduced testing of the market, inadequate review of frameworks or other options available to ensure proper effective value from the contract.

3.3.17 Progress on implementation of these recommendations will be followed up in the usual manner and outcomes reported to this Committee.

3.3.18 Wirral Growth Company

3.3.19 The Internal Audit Plan of work for the Wirral Growth Company for 2020/21 is currently being finalised and following approval of the Partnership Business Plan by the relevant body in late February will be forwarded to relevant senior managers

within the Council and our development partner for information and any comment. It is intended that the first audit assignment on this major partnership will be performed in the first quarter of the new financial year and will be focussed on reviewing the governance arrangements proposed and implemented for this venture, included within this piece of work will be the utilisation of working groups, reporting lines, authority to act, standards of conduct, escalation processes, etc.

- 3.3.20 This Committee will continue to be appraised of progress in this area including the outcome of any ongoing deliberations as well as outcomes from any targeted work in due course.

3.4. **Audit Recommendations**

- 3.4.1 A list of internal audit activity over the reporting period is attached at Appendix 1 detailing the audits completed and identifying opinions provided and a current BRAG rating indicating the current status of the report and progress being made by officers to address identified issues.
- 3.4.2 There are currently a number of actions identified in audit reports that have not yet been fully implemented as reported to this Committee in January 2020. These actions predominately relate to Digital and Information Assurance systems and a progress update by the Head of ICT and Digital was provided to this Committee at this time. Many of these actions are now in progress and some implementation timescales have been extended to accommodate operational issues identified. These actions will continue to be monitored and progress reported to this Committee at future meetings.

3.5. **Internal Audit Performance Indicators**

- 3.5.1 The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. These include delivery of the annual Internal Audit Plan and ensuring that all of the audits identified in the plan are completed on schedule. This is particularly important at the present time as the requirement for Internal Audit involvement in a number of important corporate initiatives has increased dramatically.

IA Performance Indicator	Annual Target	Actual % Delivery to date
Percentage delivery of Internal Audit Plan 2019/20.	90	80
Percentage of High priority recommendations agreed with clients.	100	100

Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90	100
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	98

3.5.2 There are currently no significant issues arising and the Service remains on course to achieve all of the annual performance and delivery targets identified.

3.6. Internal Audit Developments

3.6.1 Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such a Continuous Internal Audit Improvement and Development Plan is in operation that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include:

- Ongoing development of risk management function and corporate risk register including the appointment of a Risk, Continuity and Compliance Manager from October 2019 reporting to the Chief Internal Auditor;
- Ongoing improvement of corporate counter fraud awareness across the Council as evidenced in Counter Fraud Update reports presented to this Committee and recent publicity campaign;
- Ongoing development of the corporate business continuity function following the appointment of the Risk, Continuity and Compliance Manager reporting to the Chief Internal Auditor;
- Continued ongoing development of the Mersey Region Counter Fraud group led by Wirral Internal Audit to include more joint fraud exercises and training across the local region and the North West of England;
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning and risk management process;
- Ongoing development of performance management and reporting database with enhanced reporting;
- Ongoing improvements to the audit reporting format;
- Development of Traded Services offer to Academy Schools for Internal Audit services and subsequent SLA with a number of prominent Academy Schools;
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services
- Improvements to Maintained Schools audit provision through development of risk-based work programme;

- Ongoing development of reporting arrangements and client feedback.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Internal Audit provide audit services to an increasing number of external bodies that generate income to the organisation annually.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There is none arising from this report.

7.0 RELEVANT RISKS

- 7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 7.2 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.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising from this report.

10. ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The content and/or recommendations contained within this report are expected to have no impact on emissions of greenhouse gases.

REPORT AUTHOR: Mark P Niblock
Chief Internal Auditor
telephone: 0151 666 3432
email: markniblock@wirral.gov.uk

APPENDICES

Appendix 1: Internal Audit Activity Summary

BACKGROUND PAPERS

Internal Audit Plan 2019/20

SUBJECT HISTORY (last 3 years)

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