



**Chief Internal Auditor's
Annual Report and Opinion on the System of Internal Control
2020/21**

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Section One

Executive Summary

1.1 Introduction

In accordance with the Public Sector Internal Audit Standards (PSIAS), as the Chief Internal Auditor for the Council I am required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's control and governance processes. This is normally achieved through the delivery of a risk-based plan of work (the Internal Audit Plan) agreed with officers and Members. For 2020-21 however, the delivery of the Internal Audit Plan that was presented to the Audit and Risk Management Committee in March 2020 was almost immediately curtailed by the onset of the Covid pandemic, with auditors reassigned to support the enormous corporate operational response to this and routine scheduled audits postponed. It was still anticipated at the time that a range of audits in targeted areas would be conducted, however as the year progressed and the pandemic worsened it became apparent that the Council lacked the capacity to be audited and that audit skills and expertise were more effectively utilised supporting governance systems in operation, providing advice, guidance and challenge as appropriate. A revised and much streamlined Internal Audit Plan was presented to the Audit and Risk Management Committee in November 2020 and a number of targeted audits delivered since then.

The usual comprehensive year end audit outturn summary upon which my annual opinion is normally largely based is therefore not available this year and the opinion that I provide within this report is supported by other evidence including audit activity across a range of other areas as detailed in this report.

1.2 Overall Assurance

In providing an opinion it should be noted that assurance can never be absolute. The work of Internal Audit can only provide reasonable assurance that there are no major weaknesses in the Council's control and governance processes. The opinion provided is based on the work completed by internal audit and reported to the Audit and Risk Management Committee. It must be noted that there may be weaknesses in the Council's systems of internal control that have not been identified if they did not form part of the programme of audit work completed or were excluded from the scope of individual internal audit assignments.

1.3 Opinion

In my opinion, during 2020/21 the Council has generally maintained adequate and effective control and governance processes overall. This opinion is based on a range of audit activity completed during this very challenging year and from my cumulative knowledge and experience of the organisation including my judgements about the calibre and actions of its senior management team during the pandemic and an understanding of the organisations direction of travel.

There has been positive engagement with management throughout the year and where audit work has identified weaknesses in the design or application of controls agreement reached regarding required actions.

Section Two

Basis of the Opinion

2.1 Planned coverage and output

As a direct consequence of the onset of the Covid pandemic the Internal Audit Plan for 2020/21, which was presented to the Audit and Risk Management Committee in March 2020 for delivery during the year, was curtailed and audit activity refocussed to support the enormous corporate operational response to the crisis. The Council implemented an effective command and control system that involved the formulation of a number of governance cells to oversee and deliver activities across a range of areas reporting through tactical and strategic command groups. Internal Audit and Risk were represented on each of these cells as well as the Chief Internal Auditor being a member of the Tactical Command Group, overseeing operations and utilising its considerable skills and experience to provide advice and guidance on risk and control, supporting initiatives through constructive challenge where appropriate. In addition, Internal Audit has undertaken a significant amount of work during the year directly supporting the Council's response to Covid across a number of national and local initiatives including the payment of grants to support local businesses, track and trace, early years support and foodhub activities, advising on control and governance arrangements as well as undertaking validity and accuracy checks pre and post funding payments.

More recently, during the recovery stages of the pandemic, the Internal Audit Service returned to a streamlined level of more normal audit activity and a revised Internal Audit Plan was presented to the Audit and Risk Management Committee in November 2020. The completion of this work in a number of key areas of the organisations activities as well as the significant targeted work undertaken by the team to challenge and support the corporate Covid response activity is considered, during this quite exceptional year, sufficient and wide-ranging enough to allow a confident and evidence-based annual audit opinion. It is important to note however that whilst the work undertaken is considered sufficient to support the annual opinion for 2020/21 during this exceptional year, the work completed is not comprehensive and would not provide all of the necessary assurances regarding risks to the Council during a normal year.

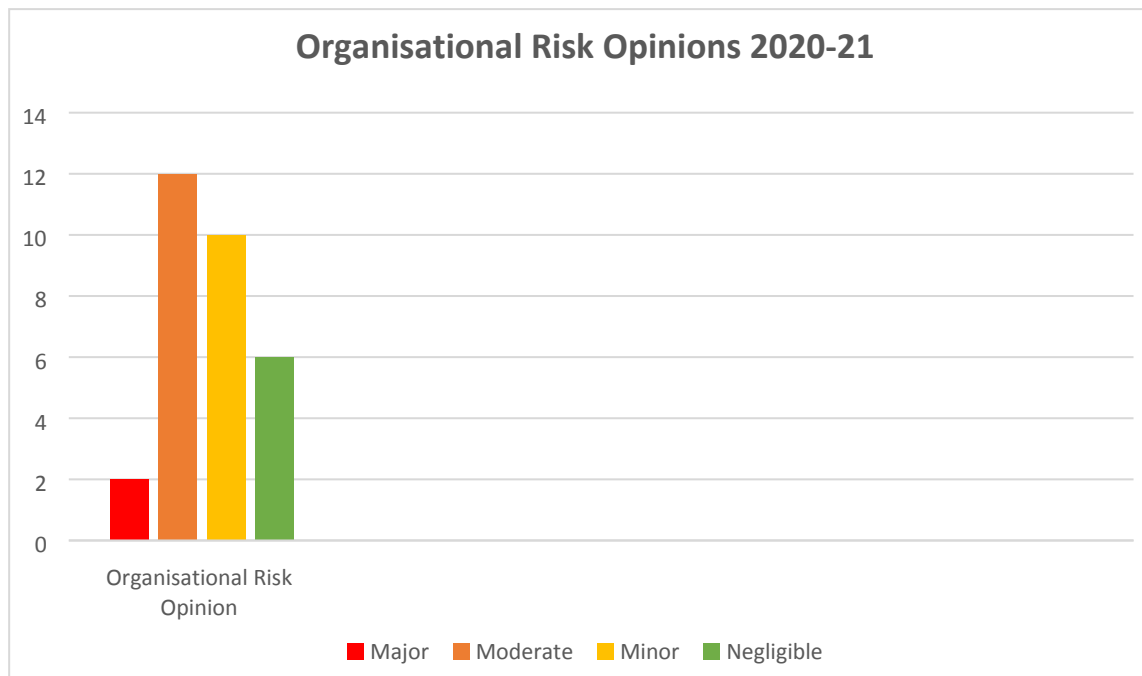
2.2 Summary of work supporting the opinion

The audit work undertaken that forms the basis of the opinion includes:

- The work of Internal Audit in challenging and supporting the Council's governance arrangements implemented during the pandemic.
- Assessment of risk management arrangements implemented across business areas in response to risks presented throughout the pandemic.
- Assessment of the range of audit opinions arising from audit assignments completed during the year. This assessment takes account of the relative materiality of areas audited and includes the development and utilisation of audit programmes for key financial systems to evaluate the risks and impacts of Covid on these systems and mitigating actions taken by management.
- The development and delivery of a plan of work for the Merseyside Pension Fund that included Covid impact assessments, and for which separate reporting arrangements are in operation in accordance with the service level agreement.
- Assessment of management's responses to Internal Audit's recommendations and the progress made in addressing risks and issues identified through audit work.
- Discussions with senior managers from across the organisation throughout the pandemic to contribute to developing appropriate responses to evolving risks and threats presented in line with government requirements and best professional practice.

2.3 Audit assignments completed

A full list of the audit assignments that have helped inform the opinion is provided in Appendix A. The list identifies a wide range of different types of audit activity undertaken during the year, where actual planned audits have been completed each of these is graded in terms of the risk to the organisation and how well risks were managed in the area under review. Four different levels of opinion are used: major, moderate, minor and negligible. Definitions of the assurance levels are provided in Appendix B. Where audit work comprises Covid supporting activity, either providing support and guidance or direct involvement in systems designed to address challenges presented, it has not been possible to provide this risk opinion, however audit involvement has been provided in compliance with best professional practice to support effective control and governance principles. For those opinions provided the chart below analyses the audit opinions identified within audit reports during 2020/21. It is notable that the majority of opinions provided fall within the minor and negligible categories although a sizeable number are rated as moderate, representing the nature of the risks presented during this difficult period. It is encouraging however that only a small number of audits are ranked as presenting a major risk.



2.4 Summary of key issues arising in year

Issues have been identified in audit work completed during the year and reported to senior management for appropriate actions to be undertaken to mitigate any risks and strengthen and improve the respective control environment. These issues were summarised and reported to the Audit and Risk Management Committee during the latter part of the year when committee meetings resumed, and appropriate actions taken by Members that have included in some cases relevant officers being invited to committee meetings to provide updates including any progress being made to implement agreed actions. In the earlier part of the year when the Covid lockdown restrictions were in place and committee meetings suspended regular virtual meetings with the Chair of the Audit and Risk Management Committee continued to take place to advise on audit and risk activity and related matters including the Council's response to risks and threats presented. Key issues identified and reported during 2020/21 include the following for which actions have either been undertaken in year by senior management or are progressing and will be subject to further audit work during 2021/22:

Information Governance and GDPR Compliance.

The Council will need to ensure that current arrangements continue to be strengthened to ensure continued compliance with GDPR, especially in light of the new corporate and more agile working arrangements and associated increased risks and threats presented.

Finance Management (CFSU).

Improvements in the operation of the Client Finance Support Unit have been agreed in year with management to ensure that controls over this important function are strengthened and continue to support the continued effectiveness of this important and sensitive area of operations.

Commissioning and Procurement.

This particular function presents significant and ongoing risks to all organisations and particularly those of a public sector nature where financial probity and good governance is paramount. It is essential that the Council maintains effective controls over its operations in this area, particularly in the context of the considerable regeneration initiatives being delivered across the borough. Various actions have been identified and agreed with management during the

year following some high profile issues identified at a number of public sector organisations recently. These actions will continue to be monitored and evaluated for effectiveness by Internal Audit.

Compliance with Policy and Procedure

The Council is currently implementing measures to monitor and manage more effective compliance with key corporate policy and procedure through the Corporate Governance Group with more effective and robust systems of performance measurement in operation with enhanced escalation and challenge actions in place to ensure continued ongoing compliance.

Woodchurch Road School Investigation

Issues arising from the audit investigation have implications for all Wirral Schools and corporate actions are being implemented to ensure that the control and governance environment is robust and remains fit for purpose.

Business Continuity Planning

Actions are currently being undertaken by the organisation to improve arrangements in this important area of operations that include any lessons learnt from the experiences of the Covid pandemic, including the development and implementation of more effective structure and developed training and awareness sessions.

Cyber Security

Risks have increased significantly during the previous twelve months in this area and the Council must continue to improve its response to and protection from these constantly evolving and more complex and sophisticated threats. A number of actions have been agreed with senior management to ensure that robust controls and mitigations remain in operation across the Council and evolve in line with the heightened risks, further audit work is scheduled in this area during 2021-22 to evaluate the Councils ongoing response to these risks.

Collection Fund

The Covid19 Impact Audit identified that this service has been presented with significant challenges as a result of the pandemic which have been effectively communicated to SLT and the Recovery Cells. The postponement of issuing

summons during the pandemic has had a significant impact on income collection and cashflow / budgeting, as well as generating restrictions on the team's ability to update council tax and NDR databases. The situation is currently being monitored and it is acknowledged that actions are planned that include the provision of additional staffing resources to return the business to normal.

Health and Safety

A significant amount of work has been undertaken by the Council recently in direct response to some serious issues experienced regarding the effectiveness of the health and safety arrangements in operation across the Council. Significant improvements have already been made and more are scheduled over the coming months, and it is important that the Covid pandemic does not jeopardise the Council's ability to implement these important actions across the whole of the organisation in line with the agreed implementation plan. Audit testing is scheduled for later in the year to evaluate compliance with the revised arrangements.

2.5 Follow-up audit assignments completed

In accordance with the requirements of the Public Sector Internal Audit Standards follow-up audit assignments are normally routinely completed for all audits. These audits examine the progress that management has made in implementing previously agreed audit recommendations. A revised opinion is subsequently issued for each 'follow up' audit, which is informed by the extent to which the issues identified in the original audit report have been addressed. A significant number of these audits scheduled for completion during 2020/21 have been deferred until 2021/22 as a direct consequence of the Covid pandemic, allowing audit work to be focussed on the Covid response work, related impact reviews and client requests.

2.6 Limitations placed on internal audit

During the year, there have been no matters arising which have impacted on the independence of the Internal Audit Service and there have been no inappropriate scope or resource limitations on internal audit work.

2.7 Conformance with the Public Sector Internal Audit Standards (PSIAS)

The Council's external PSIAS assessment was completed during 2019-20 and the overall conclusion was that the Council's internal audit arrangements 'fully conform' with all aspects of the standards.

Section Three

Performance, Quality Assurance and Improvement Programme

3.1 Performance

The Internal Audit service measures its ongoing performance against an agreed set of key targets in line with current best practice and as identified below. These indicators form part of the overall service performance reporting information for senior management and the Audit and Risk Management Committee.

The table below details the key performance targets relating to the Internal Audit Service and identifies actual performance during 2020/21, indicating that all of the targets were achieved:

IA Performance Indicator	Target	Actual
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating 'satisfaction' with the IA service.	90	100
Percentage of internal audit reports issued within 10 days of completion of fieldwork.	100	100

3.2 Quality Assurance

The development and maintenance of a Quality Assurance and Improvement Programme (QAIP) is a requirement within PSIAS. The purpose of the QAIP is to ensure that the Internal Audit service operates in accordance with PSIAS and the Local Government Application Note (LGAN) and maintains consistently high standards. The Internal Audit Service operates a Quality Assurance Improvement Programme (QAIP) that is designed to provide all stakeholders with reasonable assurance that the service performs its work in accordance with this, the Internal Audit Charter, Strategy and Code of Ethics. The QAIP is designed to cover all elements of internal audit activity in accordance with PSIAS Standard

1300 ensuring compliance, adding value and helping improve organisational operations. Key elements of the quality assurance improvement programme are described below:

- The Internal Audit team is made up of appropriately trained and qualified staff with significant local government experience. All of the team complies with ethical rules, technical standards and professional practice laid down by Wirral Internal Audit Services and respective professional bodies;
- Internal audit work is based upon a detailed risk-based audit plan, which is agreed in consultation with management and is approved by the Audit and Risk Management Committee;
- Internal Audit employs an audit methodology that is in accordance with professional standards;
- Terms of reference are developed with key stakeholders for each audit assignment which set out the agreed coverage;
- Robust management review is undertaken of all audit files and reports prior to issue;
- Post audit assessments are undertaken for all audit assignments completed utilising the Auditor Skills Framework, and evaluating performance against identified competency criteria;
- There is a well-developed system of regular reporting of progress against the audit plan and the performance of the Internal Audit Service against key targets to the Audit and Risk Management Committee;
- All Internal Audit staff complete annual declarations confirming their compliance with the Code of Ethics;
- There is a commitment to the continuing professional development of all internal audit staff through a range of learning and development opportunities including ongoing auditor skills appraisal. These include professional training, on the job training, e-learning, webinars and attendance at relevant training events and workshops.

3.3 Feedback from audit clients

Internal Audit invites feedback on the quality of service provided by issuing a 'customer satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area. It is also an important means of identifying aspects of the audit process that can be improved.

The feedback received in the year was very positive despite the working restrictions imposed as a result of Covid and there were no common themes in the questionnaires returned that highlighted any particular areas for improvement. A sample of comments received through the questionnaires is included below:

- *The recent audit went very smoothly, due to the allotted timescale, and the clear concise requests for information/evidence. Many thanks go to the Auditor for her support during the audit which made the process manageable. The online nature of the process due to covid worked well in delivering evidence and information.*
- *Auditors approach both professional and realistic.*
- *The wider audit approach, appropriately balanced under the prevailing circumstances and as such is welcomed.*
- *The process was very helpful and highlighted important areas for improvement.*

3.4 Areas for Development

The main challenge for the Internal Audit Service in 2021/22 is to ensure that any shortfalls in audit coverage across Council systems arising directly from the Covid pandemic during 2020/21 are addressed ensuring that sufficient audit work is completed during the year to support the annual audit opinion.

In addition, the Covid pandemic has also necessitated changes to the focus of some planned work, as the environment within which the Council is operating has changed significantly and many new risks have emerged and will continue to do so. In order to address this, a more dynamic approach will need to be undertaken to the planning of audit work with less emphasis on a formal Internal Audit Plan for the year.

Throughout the Covid pandemic the Internal Audit Service was largely required to work remotely with the vast majority of audit engagements being undertaken in this fashion. This enforced change has provided the opportunity to challenge the way the team operates and to implement some improvements to working practices. Performance management and quality control arrangements will however need to be kept under review and adapted as required.

Appendix A

Summary of Internal Audit Activity During 2020/21

A summary of the audit work completed in the year is set out below, identifying the planned audit work completed as well as the activity associated with the Covid pandemic. Assurance ratings and the number and priority of recommendations made are identified where appropriate.

Definitions of the organisational risk opinion can be found at Appendix B.

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
1	Accounts Payable – Duplicate Payments Process Advice & Guidance	Negligible	-	-	-	-
2	Treasury Management – DMO Process Advice & Guidance	Negligible	-	-	-	-
3	CTax & HB – Client Refund Processes Advice & Guidance	Negligible	-	-	-	-
4	HB & CTax Support - Risk Based Verification Audit	Moderate	2	-	-	Y
5	Income Control - Covid Impact Audit Review	Negligible	-	-	-	-
6	Accounts Receivable – Covid Impact Audit Review	Minor	-	2	-	Y
7	Treasury Management Audit	Moderate	-	2	1	Y
8	Collection Fund – Covid Impact Audit Review	Major	2	3	1	Y

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
9	Benefits – Covid Impact Audit Review	Minor	-	3	1	Y
10	Accounts Payable – Covid Impact Audit Review	Moderate	1	6	1	Y
11	Payroll – Covid Impact Audit Review	Moderate	1	4	1	Y
12	Pension Fund Custodian Arrangements - Northern Pool Collaborative Audit	Minor	-	1	-	Y
13	Client Finance Support Unit – Covid Impact Audit Review	Moderate	-	4	-	Y
14	Pension Fund – Covid Impact Audit Review	Minor	-	1	-	Y
15	Pension Fund - Transfers Out Audit	Minor	-	1	1	Y
16	Capital Financing Audit	Moderate	-	4	-	Y
17	Personal Finance Unit – Covid Impact Audit Review	Minor	-	1	1	Y
18	HR Pensions Recharge – Verification Advice & Guidance	Negligible	-	-	-	-
19	HR IR35 Agency Appointments – Verification Advice & Guidance	Negligible	-	-	-	-
20	BEIS Covid19 Small Business Support Grants	N/A				
21	BEIS Covid19 Retail Hospitality & Leisure Support Grants	N/A				
22	BEIS Covid19 Local Discretionary Fund Grants	N/A				

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
23	BEIS LCR Combined Authority Grants	N/A				
24	BEIS Covid Restrictions Support Grants	N/A				
25	BEIS Covid Christmas Support Grants	N/A				
26	BEIS Covid Closed Business Lockdown Payments	N/A				
27	Covid Foodhub Operation – support, advice and guidance	N/A				
28	Early Years Covid Grants Payments	N/A				
29	BEIS Covid Grant Payments – Post Payment Assurance Testing	N/A				
30	Wirral Council Covid Governance Cells – Support / Challenge	N/A				
31	Adult Health and Care Recognition Payments	N/A				
32	Adult Health and Care – Infection Control Fund	Minor	-	1	-	Y
33	Wirral Growth Company – Payments System	Minor	-	2	3	Y
34	HR Selfserve System	Minor	2	-	-	Y
35	Commissioning and Procurement – The Chest Follow Up	Moderate	2	8	3	Y
36	Council Tax Collection	Moderate	-	3	-	Y

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
37	Woodchurch Primary School Investigation	N/A				
38	5 x Academy Schools (SLA's) audited	N/A				
39	10 x Maintained Schools audited	N/A				
40	Horticultural Equipment Investigation	Moderate	-	5	-	Y
41	Mayors Fund – Independent Examination	Minor	-	3	-	Y
42	Annual Governance Statement	N/A				
43	Financial Resilience – Advice and Guidance	N/A				
44	Treasury Building Data Centre Review	Major	9	5	-	Y
45	Landican Cemetery Operations Review	Moderate	-	7	2	Y
46	Tree Incident Report - Follow Up Audit	Moderate	2	-	-	Y
47	Sustainable Transport Grant - Review, Test and Certification	N/A				
48	Troubled Families Grant - Review, Test and Certification	N/A				
49	Town Centre Fund Grants - Review, Test and Certification	N/A				
50	Covid Test and Trace Funding – Support, Advice and Guidance	N/A				

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
51	Client Finance Support Unit Review	Moderate				-
52	Contract Management sample testing	N/A	-	2	1	Y
53	Health and Safety – Support, Advice and Guidance	N/A				

Appendix B

Organisational Risk Opinions

Conclusion from Audit Findings	Risk Level
<p><i>A Major organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a major risk of a fundamental or material nature. This opinion suggests that there are some potentially serious weaknesses in the design and/or operation of the control environment that may have a significant impact on the achievement of systems and/or corporate objectives if not addressed.</i></p>	<p>Major</p>
<p><i>A Moderate organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a moderate risk of a fundamental or material nature. This opinion suggests that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the achievement of systems and/or corporate objectives.</i></p>	<p>Moderate</p>
<p><i>A Minor organisational risk indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to minor non fundamental or material risk.</i></p>	<p>Minor</p>
<p><i>A Negligible organisational risk indicates that there were no weaknesses identified during the audit review and that the Council is not exposed to any risks directly associated with the findings.</i></p>	<p>Negligible</p>

