



AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday 30th November 2021

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 September 2021 to 31st October 2021. There are a number of 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 3.2.

RECOMMENDATION

The Audit and Risk Management Committee is recommended to note the 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 the Chartered Institute of Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors (CIIA).

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered appropriate as the service is required to comply with the requirements of the Public Sector Internal Audit Standards for delivery and reporting frequency.

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.

The information contained within this report is for the period 1st September to 31st October 2021.

3.2 Items of Note

3.2.1 Adult Safeguarding

A high priority action arising from a review of the Adult Safeguarding data systems, record maintenance and performance processes and procedures identified an issue regarding information flow between NHS providers and the Council in relation to outcomes of safeguarding referrals, that was reported to this Committee in September 2021. Further discussions have now taken place with the department and an action plan agreed identifying an immediate timescale for implementation of the required action to improve systems in operation. Internal Audit intend to follow this up in Quarter 4 of 2021-22 to evaluate the impact of the agreed action on systems and associated benefits and improvements and the outcomes will be reported to this Committee.

3.2.2 Regeneration - Town Deal Fund

Internal Audit are currently involved in the development of the assurance process for the ten projects that have been accepted for the £25 million Town Deal Fund. The business cases for each of the projects will be evaluated and assessed as a real time audit, approximately a third of the way through the individual business case process, so that assurances can be obtained regarding the effectiveness of arrangements and identification of any actions required to support the successful sign-off and receipt of grant monies. The types of area for review will be evidence of liaison with stakeholders, robustness of the delivery plan and the monitoring of outputs and outcomes, and the sources of match funding for the project ensuring firm commitments are in place to confirm financial stability.

A generic governance programme is being developed for use by project officers as a basic checklist to ensure effective governance of each project as the business cases progress. Internal Audit will also undertake assurance testing to examine the operation of the overall Town Deal process and report findings to senior management for action as appropriate. Members of this Committee will continue to be updated on the outcomes from this important audit work.

3.2.3 Contract Procedure Rules

The Council's Contract Procedure Rules are in the process of being updated and Internal Audit are currently actively involved with Legal and Commercial Procurement officers providing input and challenge to ensure that the rules are clear and workable, and provide an effective control environment to underpin the high risk areas of identifying, renewing and tendering for contracts and the subsequent management of them.

3.2.4 Children's Personal Budgets/Commissioned Services

An audit review is commencing on the high value area of Children's Personal Budgets and the services commissioned from various external providers to evaluate the effectiveness of the control arrangements in operation. Special attention will be paid to the systems in place over the assessment of the care quality and value for money obtained from the providers utilised, and the extent of call off contracts established with providers will be examined for robustness. Outcomes from this work will be reported to this Committee early in the new year when the work is concluded.

3.2.5 Housing Benefits – Specified Accommodation

Following recent developments in this area an audit has been conducted to evaluate the revised arrangements for processing specified accommodation benefit claims to ensure that the control environment is robust and provides management with reasonable assurance of compliance with policy and regulations. The audit identified several measures that this Council's Specified Accommodation Team have taken to minimise any HB subsidy losses including: effective communication with the Council commissioners; a benchmarking database to aid the process for the consideration of 'suitable alternative accommodation'; and data comparison with other local authority processes facilitated via half yearly forums. The audit resulted in an action plan of

recommendations which has been agreed with the Housing Benefit Management Team to further enhance the control environment including:

- Continued representation to make DWP aware of the need for more detailed, concise and clear regulations relating to Specified Accommodation.
- Consideration of the expansion of the working procedures to cover the commissioner's role and/or for the creation of a Service Level Agreement; consideration of how the quality of the monitoring of the Intensive Housing Management costs can be improved.
- Improved communications with third party commissioners to ensure they are aware of the cost implications to the Council.

A follow-up audit will be undertaken to assess the progress with implementing all the agreed recommendations in the new year and the outcomes reported to this Committee.

3.2.6 Counter Fraud Campaign

During November 2021 Internal Audit are coordinating a Counter Fraud campaign aimed at both members of the public and the Council workforce. The campaign is scheduled to coincide with the International Fraud Awareness week which takes place annually and has involved collaboration with a number of North-West Authorities. The aim of the initiative is to heighten members of the public and officers awareness of the scale, nature and impact of fraud and the signs to look out for, as well as directing individuals to the reporting processes and procedures. This is particularly important at this present time as the prevalence of fraud has increased dramatically over the past twelve months as fraudsters have looked to exploit circumstances and opportunities presented during the pandemic. The campaign includes the use of various social media channels as well as more traditional outlets such as local newspapers and information totems and banners in public buildings and spaces. Members are requested to support this initiative in the usual fashion.

3.3 Audit Recommendations

- 3.3.1 All of the actions identified in audit reports for the period have been agreed with management and are being implemented within agreed timescales. The current RAG status for these items are currently classified as amber or green as a consequence. Internal Audit will continue to monitor progress and report any slippages to senior management via the Power Bi dashboard on a monthly basis. Any significant items outstanding beyond agreed timescales and without sufficient mitigations will be reported to this Committee for any appropriate actions to be taken.
- 3.3.2 Discussions have continued with management regarding a small number of historic actions from previous audit reports that remain outstanding as a direct consequence of delays experienced as a result of the Covid pandemic and its impact upon resources in some areas. Revised timescales have where appropriate been agreed and active monitoring of these actions will continue in real time via the Power Bi reporting tool; and if any of these items remain outstanding beyond these timescales or the nature of the risk increases significantly then the

escalation process will entail them being reported to this Committee for attention and action.

3.4 Internal Audit Performance Indicators

3.4.1 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. This is particularly important at present as the service returns to a normal level of operations following the disruptions caused by the Covid pandemic and the continued agile working:

IA Performance Indicator	Annual Target	Actual % Delivery
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 14 days of the completion of fieldwork.	100	100

3.4.2 There are currently no significant issues arising.

3.5 Internal Audit Planned Work Qtr 3-4 21/22

3.5.1 The revised flexible Internal Audit Plan as endorsed by this Committee and following disruptions arising from the Covid Pandemic includes targeted audit work aimed at evaluating the effectiveness of controls in operation in the following areas during the remainder of this quarter. Each piece of work has been identified for review based upon the significance of the risks presented in these areas and the corporate impact associated with failure of the control systems in operation. Each audit will culminate in a detailed report for senior management and identify any areas requiring attention/action and outcomes including progress updates be reported to this Committee:

- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes
- Corporate Governance – Compliance Reporting
- Business Planning and Performance Management
- Information Governance – ICT Access Controls
- Wirral Growth Company
- Contract Management
- Health and Safety
- SmartBusiness Project (ERP)

- Climate Emergency Arrangements
- Local Plan

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:

- 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.
- 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.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report as the service continues to be delivered within its allocated budget.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly 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. This is mitigated by a robust system of follow up, reporting and escalation of audit matters.

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.

This is mitigated by comprehensive governance and reporting systems developed and implemented in compliance with relevant professional standards.

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 The content and/or recommendations contained within this report have no direct implications for equality. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content and/or recommendations contained within this report are expected to have no impact on emissions of CO2/greenhouse gases.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social and environmental justice for all residents.

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APPENDICES

None

BACKGROUND PAPERS

Internal Audit Plan 2020/21

SUBJECT HISTORY (last 3 years)

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