



AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY 24 JANUARY 2022

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 November 2021 to 31st December 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 are considered appropriate as the service is required to comply with the very specific 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 November to 31st December 2022.

3.2 Items of Note

3.2.1 Regeneration - Town Deal Fund

During the period Internal Audit have completed the necessary research work for the audit input and testing of the Town Deal initiative and are scheduled to meet with the consultants appointed to facilitate the delivery of the business cases for the ten projects that comprise the Town Deal in early January. A generic audit programme has been developed which will be completed for each of the projects comprising the initiative by the consultant and the project lead. This will form the basis for audit testing to ensure that the evidence exists to provide satisfactory assurances in relation to the individual business cases.

- 3.2.2 A number of meetings are expected to be held concerning each project business case covering financial matters, governance of the project, and deliverability of

outputs and outcomes. The successful completion of the projects' business cases will enable them to be approved by the Section 151 Officer and the Town Deal Board and subsequently submitted to the DLUHC to deliver £25 million in funding towards regenerating local communities.

3.2.3 The Town Deal Programme is currently the main focus of internal audit work regarding Regeneration and Place, although it should be noted that work is planned in the current and next quarter concerning the utilisation of the Future High Streets Fund and also the development of the Hind Street Programme.

3.2.4 Key Financial Systems – Post Covid Audit Reviews

Following on from the Covid19 Impact reviews completed in 2020/21, work is currently underway as part of the approved Audit Plan for 2021/22 to complete secondary reviews of a similar nature primarily focused on the return to business as usual for all key financial systems. The Audit Programme has again been developed in accordance with the best practice guidance issued by both CIPFA and CIIA as the method for reviewing the risks and impacts of the pandemic on the operation of the key financial systems. The audit objective is to provide management with assurance that the key risks to the operation of the system in respect to a return to a business-as-usual situation, post Covid19, have been considered and are mitigated where appropriate. The financial systems included within the programme of work are:

- Accounts Payable
- Payroll
- Accounts Receivable
- Income Control
- Council Tax
- Business Rates
- Benefits
- Personal Finance Unit
- Client Finance Support Team
- Merseyside Pension Fund

3.2.5 Climate Emergency

Background research has been completed and documentation received from officers to enable internal audit work on the delivery of the Council's strategy and policies regarding Climate Emergency to commence in January 22. The objective of the audit work is to ensure communications are effective, agreed actions are progressing and any lack of effectiveness in delivering on the strategy and goals are promptly identified and corrective actions taken. The outcome from this audit work, including any actions arising will be reported to this Committee in due course.

3.2.6 Integrated Care System

Discussions are currently taking place with Mersey Internal Audit Agency (MIAA), the auditors for the Clinical Commissioning Group (CCG) to undertake a collaborative piece of audit work on the plans for the new Integrated Care System. Initial meetings with MIAA took place in December 2021 to discuss outline plans and scoping for the

targeted audit and a meeting with the CCG Chief Executive are scheduled for later this month to agree the terms of reference, with work scheduled to start in early 2022-23. Objectives of the targeted work will be to develop an enhanced understanding of the arrangements for the Cheshire and Merseyside Integrated Care Partnership including evaluation of associated risks presented and mitigations planned.

3.2.7 Digital – Accounts Payable System

An audit has been undertaken to review the adequacy and effectiveness of the access controls in operation over the Accounts Payable (AP) system to reduce the risk of fraud occurring, such as happened recently at a neighbouring Council. A number of control risks were identified relating to key audit logging features, and corresponding high priority actions agreed with management to strengthen the overall arrangements, these are included in a report currently being prepared for senior management. The required actions have been implemented with immediate effect and will be subject to a follow up audit later this quarter to test the effectiveness of the arrangements at preventing fraud. The outcome of this targeted work will be reported to this Committee upon completion. Key stakeholders within the SmartBusiness project have been consulted with and alerted to this type of risk identified and to ensure that these controls are replicated within the new system being developed.

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 BRAG 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 taken place with management regarding a small number of historic actions from previous audit reports that remain outstanding as a direct consequence of delays experienced resulting from the Covid pandemic and its impact upon resources in some areas, and revised implementation timescales agreed. 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 to date
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	98

3.4.2 There are currently no significant issues arising.

3.5 **Internal Audit Planned Work Qtr 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
- Key Financial Systems – Post Covid BAU
- Corporate Governance – Compliance Reporting
- Business Planning and Performance Management
- Regeneration – New Town Deal Initiative
- Wirral Growth Company
- 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 continuous improvement and development plans are in operation incorporating 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 through the Power Bi facility.
- Ongoing engagement with neighbouring authorities responsible for undertaking pension fund audits to develop a collaborative consistent approach to auditing in these areas.
- Ongoing evaluation of the utilisation of the Power Bi facility for reporting information regarding audits conducted and outcomes for ARMC Members;
- Development and implementation of an improved streamlined audit reporting format in line with current best professional practice.
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

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

SUBJECT HISTORY (last 3 years)

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