

APPENDIX 1

INTERNAL AUDIT UPDATE REPORT – ARMC
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ACTIVITY SUMMARY – JAN TO FEB 2022

1. ITEMS OF NOTE

1.1 Merseyside Pension Fund Reviews

Work is progressing to complete the audits within the agreed plan for the Merseyside Pension Fund. The terms of references for the following audits have been approved and another two reviews on the Benefits Payable & MyPension systems will be completed as part of the 2021/22 Internal Audit Plan:

- Northern Private Equity Pool (NPEP)
- Covid Authorisation
- VAT Compliance Arrangements
- Post Covid 'Business as Usual' Review

1.2 Key Financial Systems

Work is currently underway, as described in my previous report to this Committee to complete secondary reviews of the Councils key financial systems, post Covid. The focus of this work has been on the return to business as usual, evaluating the effectiveness of arrangements in operation across the following systems to achieve agreed objectives in a secure and controlled manner:

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

1.3 Planning Service - Section 106

A follow up audit has been completed to evaluate progress made to implement a number of actions agreed with senior management following an audit of S106 Monies System within the Planning Service, as reported to this Committee in September 2021.

Of the five recommendations identified in the original report all have now either been fully or partially implemented. The new system is due to be implemented by July 2022 following a slight delay due to the unavoidable absence of critical staff within the department. The new Monitoring Officer post is currently being finalised by HR, in the meantime existing resource

within the team is covering the monitoring role until the appointment is made. We are assured that recommendations relating to the Finance Partner input are progressing well with the process for accounting for monies effectively having been agreed. All sites requiring S106 payments have been visited by officers from within the department, details documented, and invoices issued. In addition, a comprehensive database identifying details relating to all S106 monies has been developed and implemented to further strengthen controls in this area.

Further audit follow up work is scheduled for later in the year to evaluate the effectiveness of the revised arrangements following the launch of the new system and outcomes will be reported to this Committee.

1.4 Hamilton Campus (Treasury Building) Data Centre

A follow up visit to the Hamilton Campus was undertaken during the period to evaluate progress made to implement recommendations made in our audit dated October 2021 and reported to this Committee in November 2021. It is pleasing to note that of the nine recommendations previously identified six have now been fully implemented with two partially addressed and one being no longer required. It was noted however that a new location is currently in the process of being identified to rehouse the data centre as the Wirral Metropolitan College requires additional space due to the new Town Deal. We understand that the existing office space is to be cleared by August 2022 and we have subsequently made an additional three high priority recommendations related to this that require immediate attention and action to ensure that the deadlines are met, risks are captured correctly, and mitigated, and related dependencies identified. Internal Audit will continue to monitor the situation and report any significant developments to this Committee.

1.5 Business Planning

In 2019/20 an audit of the Business and Service planning was completed and follow up work scheduled for later in 2020. However, with the outbreak of COVID this work was delayed. It is acknowledged that as the Council returns to business as usual, the business/ service planning and performance management processes and responsible officers have changed and continue to evolve as scrutiny around these operations has heightened. Internal Audit have now completed an initial follow up review of the recommendations as despite the changes a number of these recommendations remain pertinent. Management have advised that all transitional plans have now been prepared and high-level audit reviews of three of the plans (Regeneration & Place; Children, Families & Education and Adult's Care & Health & Strategic Commissioning) have been performed. The outcome of this work identified that they effectively addressed the required key elements of business and service planning. Further detailed follow up work is scheduled for business/service planning and performance management in 2022/23.

1.6 Wirral Evolutions

An audit of Wirral Evolutions Ltd has recently been undertaken at the request of the Council's Project Board. The purpose of the audit was to review the governance and financial management arrangements in place and provide assurances that the procedures were adequate and being adhered to. A significant number of actions were identified during this audit that covered Wirral Evolutions Ltd and the Shareholder (the Council). A follow up of the actions agreed with management has now been completed and appropriate evidence provided regarding the full implementation of the majority of these actions. This included the issue of revised financial regulations. We will be following up the remaining recommendations in March 2022 and reporting outcomes.

1.7 During October 2021, a value for money review was conducted by the Council to determine whether Wirral Evolutions offered sufficient added value to the Council in the delivery of the contract for day services for people with learning disabilities which is to be reported to the Adult Social and Public Health Care Committee in March 2022. The outcomes from the internal audit review were considered as part of this review and incorporated into the committee report.

1.8 Children's Personal Budgets/Commissioned Education Care

An audit of the arrangements in place over the Children's Personal Budgets and Commissioned Education Care system has been completed during the period to evaluate the efficiency and effectiveness of the control environment in operation. The audit identified a Major risk opinion overall and a number of areas for improvement were identified, predominately in the following areas:

- Clarification of individual roles and responsibilities
- Formalisation of more effective communication channels

Senior management have responded very proactively to the report and have taken immediate steps to address the improvement areas identified through the agreement of an action plan and implementation of corrective measures which will improve the risk opinion provided. Follow up audit work is scheduled for later this month to evaluate progress made and the effectiveness of actions taken and the outcome of this will be reported to this Committee.

2. **AUDIT RECOMMENDATIONS**

2.1 All actions arising from audit reviews are included within audit reports and action plans agreed with and presented to senior managers. Actions are then monitored for implementation progress on the Audit Planning and Management system. This includes a regime of follow up audit activity and the utilisation of the Power Bi reporting system that identifies and tracks implementation progress in real time for managers and senior leaders.

Summary Power Bi reports are presented to the Operational Performance Group on a monthly basis for operational management oversight and appropriate actions taken to address any significant issues or outstanding actions including subsequent referral to the Senior Leadership Team. In addition, the Chief Executive and the Section 151 Officer discuss audit actions progress at scheduled bi-monthly meetings with individual directors, ensuring completion within agreed timescales and demonstrating effective corporate oversight.

- 2.2 All of the actions identified in audit reports for this 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, green or blue as a consequence. Internal Audit will continue to monitor progress as detailed above and report any slippages to senior management via the Power Bi dashboard. Any significant items outstanding beyond agreed timescales and without sufficient mitigations will be reported to this Committee for any appropriate actions to be taken.
- 2.3 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. INTERNAL AUDIT PERFORMANCE INDICATORS

- 3.1 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	97

3.2 There are currently no significant issues arising.

4. INTERNAL AUDIT PLANNED WORK QTR4 21-22

4.1 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 and much of this work is currently in train. 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.

- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes
- 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

5. INTERNAL AUDIT DEVELOPMENTS

5.1 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;

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