

APPENDIX 1

REPORT TITLE:	INTERNAL AUDIT UPDATE
ACTIVITY SUMMARY – MARCH TO MAY 2022	

1 Items of Note

1.1 New Town Deal

During the period Internal Audit have had a key role in providing an overview of each of the ten business cases that have been completed for the projects within the overall Town Deal programme, that will factor in £25million through the Council as the Accountable Body over the next few years. The DLUHC requires the Council's assurance processes to have been applied to these business cases prior to final agreement and release of funds, and the work performed on the business cases will also act as vital background to compiling an internal audit report on the necessary control and monitoring framework to be applied by Council officers regarding the Town Deal programme in the future. Outcomes from this work on the control and monitoring framework and systems will be reported to this Committee upon completion.

1.2 Climate Emergency

An audit was undertaken during the period to evaluate effectiveness of the Council arrangements to deliver this important initiative and ensure compliance with regulatory requirements and an internal audit report on this was finalised and distributed to senior management in early June 22. The outcome of the audit was that while it is clear that progress has been made over the last year in this area, there are a number of recommendations that need to be implemented to ensure ongoing processes are strengthened and momentum is maintained. There were four high priority recommendations made, and at the conclusion of the audit it was clear that action was being taken in each of these operational areas to address the recommendations. The follow up of the recommendations is planned as a priority task for October 22, when it is expected that clear evidence will be provided to demonstrate compliance with agreed actions.

1.3 Client Finance Banking Project

Internal Audit have been providing an ongoing consultancy role on the working party coordinating the transfer of the bank accounts of vulnerable clients whom the Council has a statutory duty to protect. This decision to transfer from a global account to individual client accounts was primarily as a result of an external inspectorate report finding, and the nature of the clients has determined this task as a key priority for internal audit input. It is pleasing to note that this project is reaching a successful conclusion and will be regarded as a business-as-usual task in the future rather than a current high risk area requiring action. This Committee will continue to be kept apprised of progress and any issues presented.

1.4 Annual Governance Review

It is a statutory requirement for the Authority to review annually the effectiveness of its governance arrangements and publish an Annual Governance Statement. During the period Internal Audit have carried out the annual governance review for 2021-22. The exercise has included 121 meetings with each of the SLT Directors and a review of:

- Governance Assurance Statements completed by each of the Directors
- Governance issues raised in external assurance reports (e.g. LGA Corporate Peer Challenge, DHLUC Assurance Reviews, Grant Thornton's Auditor's Draft Annual Report)
- Specific returns by S151, SIRO & CIA, and
- Internal Audit work in the year

The outcome of the review will be reported in the draft Annual Governance Statement. This is required to be published on the Council's website by 31/7/22 and is scheduled to be reported to ARMC in October 22. The final version will be approved along with the Council's financial statements.

1.5 M74 Review

An audit review was undertaken during the period to determine whether the controls around the use of M74 forms for the creation and authorisation of new posts are effective. The audit identified four medium priority actions to improve the control environment in operation and facilitate full corporate compliance with the policy and procedure, these have all been agreed with senior management and an action plan produced with related timescales. Internal Audit will continue to monitor progress in this area and report any shortfall to this Committee.

1.6 Key Financial Systems – Post Covid Reviews

Following on from the Covid19 Impact reviews completed in 2020-21, a programme of secondary reviews was developed in line with best practice guidance provided by CIPFA and CIIA focussing on the return to normal operations following the pandemic across these important service areas. The reviews were designed to evaluate the effectiveness of the arrangements in place to mitigate key risks to the operation of systems to facilitate a post pandemic return to 'business as usual' whilst also providing an opportunity to follow-up on the key issues, observations and recommendations identified from previous reviews.

The financial systems included within the programme of work were:

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

Findings indicated that significant progress had been made to address the key issues and recommendations made following the Post Covid impact reviews completed in 2020-21 although the development of effective Business Continuity Plans and Service Level Risk Registers was still an on-going issue in a number of cases and actions were agreed to address. Follow up audit work in this area is scheduled for 2022-23 and the outcomes will be reported to this Committee.

1.7 Counter Fraud Training

Internal Audit have developed a suite of new counter fraud training modules in line with current best practice incorporating all relevant legislative and regulatory requirements and identifying appropriate actions for individuals to take to identify and respond to potential fraud threats in these areas:

General Fraud
Bribery and Corruption
Money Laundering

The intention is to roll this training out across the Council workforce this quarter utilising the FLO automated platform and targeting specific areas of the Council's operations where fraud risks are most prevalent to relevant training modules.

1.8 Accounts Payable System

Actions are currently being taken by senior management to improve controls in operation over the Accounts Payable system following an audit during the period. A number of agreed actions are being implemented by senior management to strengthen the overall security of the system and mitigate risks associated with targeted fraudulent activity aimed at the Council. Officers have been alerted and acknowledge the need for these actions to be replicated in future systems currently being developed. Internal Audit will continue to work with senior management and colleagues to ensure that best practice solutions are implemented in response to risks in this area and continue to report on progress in this area to Committee.

2. **Audit Recommendations**

- 2.1 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. **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	95

3.2 There are currently no significant issues arising.

4. **Internal Audit Planned Work Qtr 2 22/23**

4.1 Audit work is currently being delivered in accordance with the Internal Audit Plan for 2022-23 as endorsed by this Committee in March 2022. 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. Work currently identified for the next quarter includes the following:

- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes
- Corporate Governance
- Merseyside Pension Fund
- Regeneration – New Town Deal Initiative
- Wirral Growth Company
- Health and Safety
- SmartBusiness Project (ERP)

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 developments involving the Mersey Region Counter Fraud group led by Wirral Internal Audit.
- 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 via a real time dashboard for Members of this Committee;
- Ongoing improvements to the audit reporting format for consultancy engagements;
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services