

## APPENDIX 1

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>ACTIVITY SUMMARY – JULY TO SEPTEMBER 2022</b>	

### 1 Items of Note

#### 1.1 Town Deal Programme

1.1.1 The final audit report on the Town Deal Programme Review was completed in September 2022 and included 2 high and 3 medium priority recommendations agreed with senior management to improve controls over the systems in place. Internal Audit have been involved on an ongoing basis throughout the lifecycle to date of this initiative providing challenge throughout the development, finalisation and approval of the business cases for the nine associated projects. This direct input and constructive challenge has provided the basis for recommending key control actions that need to be included within subsequent monitoring procedures, to ensure that the projects are delivered within an effective control environment.

1.1.2 The high priority recommendations identified in the report and agreed with senior management relate to the need to regularly review the individual projects' cash flow projections and take prompt corrective action where required, and that a formal monitoring and reporting process is established to ensure delivery of the key outputs declared and approved.

1.1.3 Internal Audit will follow up the recommendations and include the testing of these areas in future work plans to ensure effective delivery of the projects and report the outcomes to this Committee.

#### 1.2 Climate Emergency

A follow up audit is currently being undertaken to evaluate progress made to implement recommendations identified during the audit of the Council's arrangements to deliver the Climate Emergency initiative completed in June 2022. The four high priority recommendations identified relate to the monitoring and reporting of targets, reviewing resources to service the database, development of a strategy to target high carbon emission areas within the Council and assessing existing contracts to identify where there may be a significant environmental impact on the Council. Outcomes from the audit will be reported to this Committee upon completion of the work.

#### 1.3 Adults Liquidlogic System – Access Controls

An audit review of the access controls in the Adults Liquidlogic system was undertaken during the period and eleven recommendations agreed with senior management to strengthen and improve the control environment. An action plan has been agreed that includes timescales for implementation. Internal Audit are planning to undertake follow up work in the next quarter to evaluate progress against this plan

and the outcomes will be reported to this Committee. Reviewing who has access to systems can make a big difference in mitigating against cyber-attacks and there are more planned access control reviews of other key Council systems included in this year's audit plan.

#### 1.4 MPF Cyber Assurance

Audit work is currently being undertaken to review and evaluate the effectiveness of the controls in operation to protect the Merseyside Pension Fund systems against the risk of cyber-attacks. This has involved assessing the controls around the devices that protect the network from the internet and testing their robustness. An audit report is currently being drafted and discussions taking place with senior management regarding any potential actions required. The outcome from this work will be reported to this Committee upon completion.

#### 1.5 Levelling Up Funds

Internal Audit were requested by the Director of Resources to provide views on documents received from DLUHC relating to potential future inspections regarding Levelling Up Funds. The aim was to ensure that the Council's in-house assurance processes are robust and will support the approach to levelling up funding. No significant issues were identified although a number of points for consideration were identified that have been agreed by relevant management and will be incorporated into systems and future audit work programmes in this area.

#### 1.6 Merseyside Pension Fund (MPF)

##### 1.6.1 The following audits were finalised during this reporting period to conclude full completion of the 2021-22 Internal Audit Plan for the Merseyside Pension Fund:

Authorisation Arrangements.  
MyPension Developments.  
Benefits Payable.

##### 1.6.2 The Chief Internal Auditor's Annual Report for MPF was subsequently presented to the Local Pensions Board earlier this month, summarising the outcomes of the audit programme of work for 2021-22. The overall audit opinion for the year included within the report is that MPF has maintained adequate and effective control and governance processes. It is also acknowledged that the MPF management team continues to ensure identified risks are effectively managed and recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales.

#### 1.7 Human Resources – Pensions Recharges

Wirral Council are recharged by Merseyside Pension Fund (MPF) for Compensatory Added Years, known as 'Committee Increase', if they award a member additional years' service as part of a redundancy or early retirement and there are also pension increases associated with these payments. A referral was received by Internal Audit from Financial Services, regarding the level of checking undertaken by Human

Resources (HR) on the details within these monthly recharge payments to MPF. An audit was subsequently completed to review the processes in place and provide advice and guidance to establish the most efficient and effective validation of the recharge. The review also included sample checking of the monthly recharges, which are primarily legacy payments, and although no errors were detected a recommendation has been agreed with the Senior HR Manager to introduce an effective validation process to ensure the accuracy of the monthly payments.

## 1.8 Community Asset Transfer

During the period Internal Audit have completed the Governance and Organisation Structure aspect of the wider due diligence review that is currently being undertaken for those organisations who are applying to take over Community Assets. The review has included consideration of publicly available information in respect of directors/trustees, as disclosed in organisations' Business Case/Plans. Checks were also undertaken to ensure the organisations were active, where applicable and to identify any conflicts with decision makers within the Council. Summary findings have been shared with the internal team overseeing the due diligence process identifying some items for consideration.

## 1.9 Annual Governance Statement

1.9.1 Governance work undertaken this quarter has included undertaking the annual review of the effectiveness of the Council's governance framework and drafting the Council's Annual Governance Statement (AGS) as the outcome of this review for 2021-22. Key elements of the review included:

- Completion of Governance Assurance Statements by each of the Council's Senior Leadership Team (SLT), with additional returns by the S151 and SIRO for their formal roles.
- One to one discussions with each member of the SLT to gauge their views on progress and areas for improvement in respect of each of the seven principles in the CIPFA/SOLACE Framework for good governance.
- Seeking updates from Directors in respect of actions taken for the Significant Governance Issues (SGIs) included in last year's AGS and actions planned in 2022-23 for SGIs identified in this year's annual review.
- Review of Internal Audit work completed in the year.
- Consideration of any significant internal or external reviews of governance, including reviews by external audit and other review agencies / inspectorates as applicable.

1.9.2 The outcome of the annual review and overall assessment is set out in detail in the AGS, which is reported to this Committee annually with the financial statements of account in line with statutory requirements.

## 1.10. Hoylake Golf Resort Development

- 1.10.1 At the September 2021 Policy and Resources Committee, a resolution was passed that a piece of work would be undertaken to ensure that all decisions made in relation to Hoylake Golf Resort Development (more recently referred to as Celtic Manor Golf Resort), had been made in accordance with Council Policy and Procedure and any learning points identified would be noted for future reference.
- 1.10.2 Following the Committee meeting, the Chief Executive, after discussion with the Chair of the Audit and Risk Management Committee (ARMC) requested that Internal Audit document in chronological order, all decisions made in relation to the Hoylake Golf Resort Development, including who was involved in the decision making and at which Committee meeting and/or Management meeting those decisions were made and whether those decisions were made in accordance with Council policy and procedure.
- 1.10.3 Internal Audit have reviewed all approved Committee minutes and related management information and documents, accompanying reports and appendices relating to the Hoylake Golf Resort Development from 2002 to date and documented those decisions / key events in a summary timeline.
- 1.10.4 The evidence obtained indicates that all key decisions relating to the Hoylake Golf Resort Development throughout its lifecycle were taken to relevant Committees during the project for approval or reported after the decision was made (in accordance with the Constitution of the Council) and based on the assurance provided by the Assistant Director - Special Projects and the Head of Legal Services. It is therefore the opinion of Internal Audit that the decisions made in relation to Hoylake Golf Resort, appeared to have been made in accordance with Council Policy and Procedure.

## 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:

<b>IA Performance Indicator</b>	<b>Annual Target</b>	<b>Actual % Delivery to date</b>
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 Qtr 3 2022/23**

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 quarter includes the following, some of which is in progress:

- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes
- Merseyside Pension Fund (Collaborative work with Greater Manchester and West Yorkshire Fund Auditors into GLIL Infrastructure Investment)
- Merseyside Pension Fund (Ukraine - Investment Exposure)
- Regeneration – Hind Street Development
- Wirral Growth Company
- Health and Safety
- Integrated Commissioning System
- Fair Cost of Care review
- Business Planning
- Human Resources – P11D Tax System
- 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.

## 5.2 Quality Assurance Improvement Plan

5.2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit develops and maintains a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity.

The purpose of the QAIP is to provide reasonable assurance that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the PSIAS definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by Stakeholders as adding value and improving Internal Audit's operations.

5.2.2 Internal Audit's QAIP, attached at Appendix 3 has been developed in accordance with PSIAS Standard 1300 (Quality Assurance and Improvement Programme). It documents the approach that is taken in respect of the following:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (Ref: 1300);
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (Ref: 1300);
- Helping the Internal Audit activity add value and improve organisational operations (Ref: 1300);
- Undertaking both periodic and on-going internal assessments (Ref: 1311); and
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit and Risk Management Committee in accordance with Standard 1312 and 1320.

5.2.3 The QAIP outlines measures which are applied to ensure that Internal Audit continues to operate effectively and efficiently and identifies and responds to opportunities for improvement. These measures are detailed below:

- An internal quality control checklist;
- Customer Questionnaires and Annual Performance Evaluation Feedback Forms designed to obtain client feedback, the outcome of which facilitates effective monitoring of the internal audit activity and enables opportunities for improvement to be identified; and
- An Auditor Skills Appraisal Assessment system that incorporates post audit assessments to identify improvement areas and any training/ development needs;
- Internal performance targets that are monitored and regularly reported to the Audit and Risk Management Committee.

5.2.4 PSIAS Standard 1320 requires that the form and content of the QAIP should be established through communication with the 'Board' (Audit & Risk Management Committee). Committee approved the QAIP in 2015 and subsequent annual updates thereafter.

5.2.5 Internal Audit undertakes a self-assessment review of its activities against the QAIP annually to ensure that service continues to comply with all aspects of the programme and informs this Committee of the outcome. The findings and outcome of the recent exercise is attached at Appendix 2 and details the actions currently undertaken by the service to ensure continued compliance. It is very pleasing to note that the service continues to comply with all aspects of the programme.