

APPENDIX 1

REPORT TITLE:	INTERNAL AUDIT UPDATE
ACTIVITY SUMMARY – OCTOBER TO DECEMBER 2022	

1 Items of Note

1.1 Climate Emergency

Follow up audit work on the 17 recommendations agreed with management following the audit of the Council's Climate Emergency arrangements earlier in the year has been performed to evaluate progress being made and indicates a positive position. Management attention has however been drawn to a high priority recommendation with an approaching implementation deadline of April 23 regarding a review of existing contracts that may have a significant environmental impact on the Council. The recommendation relates to the completion of an environmental impact assessment of those contracts identified as high risk, with the aim of reducing high carbon emissions. It is acknowledged that the original target implementation date for this recommendation is April 23 but it is reported here to ensure that this issue remains in focus.

1.2 Creditor Payments

An audit investigation was undertaken during the period to review the circumstances leading to a duplicate creditor payment of over £200,000 being made to an authorised contractor. The audit identified a number of actions required to improve controls in operation to prevent any future incidences of this nature which have been agreed with senior management for immediate implementation. It should be noted that no evidence of any fraudulent activity was identified and that the payment was made in error with monies immediately being returned to the Council by the contractor. As part of the audit exercise a number of additional audit tests were undertaken utilising specialist audit interrogation software to examine all matching supplier names, invoice numbers and invoice dates on the database and a number of additional potential duplicate payments identified that are currently being examined by the team. Actions are also being undertaken to ensure that additional controls are included within the new financial systems scheduled for implementation later this year.

1.3 Health and Safety

An audit review of the operation of Health and Safety procedures within the Council is currently being undertaken. This involves an assessment and evaluation of corporate awareness and compliance with new policies and procedures and includes the completion of risk assessments by the workforce, the review and management of operations by the health and safety team, and the facility to raise awareness of key health and safety concerns

within the current processes. In addition, an assessment of contractors and third-party organisation operating on behalf of the Council is also being undertaken to evaluate compliance with Council requirements. The outcome of this important work, along with any required actions will be reported back to this Committee upon completion.

1.4 Merseyside Pension Fund (MPF) – Russian Federation/Ukrainian Investments

1.4.1 On 24th February 2022, the Russian Federation invaded Ukraine in a steep escalation of the ongoing Russo-Ukrainian War. This was followed by the introduction of sanctions by the UK Government defined within the Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 effective from 1st March 2022, with reciprocal sanctions introduced by the Russian Government.

1.4.2 An audit review has been undertaken as part of the Internal Audit Plan for 2022/23, to provide additional assurance to the MPF stakeholders regarding the divestment actions taken and statements provided by the Fund, primarily focused on the impact on relevant investments.

1.4.3 The findings from the work undertaken have concluded that prompt and effective action was taken by the key Investment Officers at the Fund in response to the Russo-Ukrainian situation. The level of direct exposure and financial risk to the Fund was minimal at the time and has been further reduced by the subsequent actions that were in compliance with Regulations and Scheme Advisory Board Guidance, (0.09% @ 30/09/22). It is acknowledged that it is not feasible to identify and quantify all indirect / secondary exposure for MPF to the Russian market but again it is accepted that this is limited. An audit recommendation was agreed on the basis of the high-profile nature of the continuing situation, the level of Member / Stakeholder appetite for further information, and to demonstrate full transparency and effective communication in line with the Responsible Investment Policy, that an explicit report is presented to the Investment Monitoring Working Party. This is to provide details of; the financial impact in respect to the direct and indirect investment exposure; the positive actions taken by the Investment Officers to further limit the financial risk; and the actions being taken to monitor the situation and communicate with stakeholders.

1.4.4 Financial Resilience

An audit is currently in progress to evaluate the effectiveness of the risk-based approach currently being adopted by the organisation for the validation of new budget proposals for the 2022/23 budget process and includes testing a sample of savings to the underlying evidence base for accuracy and achievability. A report will be prepared on the outcomes from this audit for management identifying any actions required and a summary of this prepared for this Committee.

1.4.5 MPF Cyber Assurance

As previously reported to this Committee an audit has recently been completed to review the effectiveness of the controls in operation to protect the Merseyside Pension Fund systems against the risk of cyber-attacks. The audit involved assessing the controls around the devices that protect the network from the internet and testing their robustness. The audit has now been completed and reports prepared for senior management at both the Merseyside Pension Fund and Digital Services who operate a number of systems and processes on behalf of the Fund. The reports identify a number of actions to improve existing arrangements to ensure that maximum protection is provided. A timescale for implementation has been agreed with management and further audit work is scheduled to evaluate progress and gauge the effectiveness of these arrangements and the outcome from this work will be reported to this Committee upon completion.

1.4.6 Information Governance – Access Controls

Audit reviews of the access controls in operation over the Children's Liquidlogic and the Election systems are currently being undertaken to evaluate the effectiveness of controls in operation to protect sensitive and confidential data maintained within these systems. In addition, Internal Audit are performing a range of duplicate tests to assess the accuracy of data held and avoid any inaccurate and duplicate entries. Reviewing who has access to key systems and ensuring data is maintained correctly can make a significant 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. Audit reports are currently being drafted for these systems and discussions will be taking place with senior management regarding any potential actions required to improve existing arrangements.

1.4.7 National Fraud Initiative (NFI)

A question was raised by Members at the previous meeting of this Committee regarding the recovery of fraudulent overpayments of benefits and grants identified during the recent NFI exercise undertaken. Following discussion with colleagues in Benefits and Revenues I can confirm that arrangements are currently in place for the recovery of all of these amounts. A more detailed breakdown of this will be included in the Annual Counter Fraud report presented to this Committee later in the year.

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 in real time. 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	96

- 3.2 There are currently no significant issues arising.

4. Internal Audit Planned Work Qtr 4 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
- Merseyside Pension Fund (Collaborative work with Greater Manchester and West Yorkshire Fund Auditors into GLIL Infrastructure Investment)
- Wirral Growth Company
- Health and Safety
- Integrated Commissioning 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 development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services.

5.2. Internal Audit Charter and Strategy.

The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit develops and maintains an Internal Audit Charter and Strategy for the service that defines the purpose, authority and responsibility of the service as well as identifying how it will be delivered; and that these are reviewed and updated regularly and presented to the organisations Audit Committee for endorsement. These documents are attached at Appendices 3 and 4 to this report.