

APPENDIX 1

REPORT TITLE:	INTERNAL AUDIT UPDATE
ACTIVITY SUMMARY – 10 JANUARY TO 13 FEBRUARY 2023	

1 Items of Note

- 1.1 Merseyside Pension Fund: Transfers In/Aggregation
- 1.2 Under the current HMRC tax regime, individuals have a pension annual allowance which is the maximum amount that the value of retirement savings can increase in a year without incurring tax charges. If an individual's annual allowance pension growth in any one year (including pension savings outside of the Local Government Pension Scheme - LGPS) is greater than the annual allowance limit, the excess may be subject to the marginal rate of income tax.
- 1.3 At the request of the Head of Pensions Administration, an audit review has been completed as part of the Internal Audit Plan for 2022/23 to ensure that the risks associated with the Transfers In/Aggregation processes are appropriately addressed. The audit objective was to provide management with reasonable assurance that the administration of the Transfers In/Aggregation processes is effective in mitigating those risks associated with the LGPS Inter/Intra Transfers-In, primarily focused on their impact on the member's Annual Allowance.
- 1.4 The findings from the work undertaken have concluded that tax limits on pensions are governed by a raft of overriding legislation and consequently annual allowance calculations for LGPS Inter/Intra transfers are complex. However, the MPF system for processing these transfers in respect to the potential impact on the member's annual allowance is robust and effective in reducing the risk of error. The audit report includes one recommendation to enhance the effectiveness of the initial mandatory assessment undertaken by the Pension Officers to identify a potential breach of the Annual Allowance, which was agreed and will be implemented within an appropriate timescale.
- 1.5 Oracle Fusion/ERP
- 1.6 Internal Audit continue to support the implementation of the Oracle Fusion system attending the Project Board meetings to advise on required controls and the management of identified risks, as well as direct ongoing involvement with Project Team and Cutover sessions to ensure that Internal Audit are aware of progress and provide appropriate advice challenge and guidance as required.
- 1.7 During the current reporting period the team have been attending a number of applications walk through sessions and have developed a program of tests that should be performed during user acceptance testing to ensure that the system operates in a controlled environment and provides the assurance information that would be expected as part of this detailed testing. The project remains on schedule

however the results of the user acceptance testing that is currently undergoing are crucial to the achievement of this.

1.8 Wirral Schools Audits

1.9 Audit reviews have been completed during the period at a number of Schools within the borough that include both maintained and independent state-funded Academies and reports and action plans agreed with management that identify specific actions to improve controls in accordance with the required standards as identified in the Schools Financial Value Standard and the Academies Financial Handbook.

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 continue to monitor progress and report any slippages to senior management and the Operational Performance Group 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:

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 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 ongoing or identified for the remainder of the 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 – BCD Contract Management
- Corporate Health and Safety
- Merseyside Pension Fund – Treasury Management
- Oracle Fusion (ERP)
- Payments Systems – Duplicate Payments/Purchase Orders
- Schools Audits
- Adults - Direct Payments
- Integrated Care System Implementation

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.