

APPENDIX 1

REPORT TITLE:	INTERNAL AUDIT UPDATE
ACTIVITY SUMMARY – 1 JUNE TO 30 SEPTEMBER 2023	

1 Items of Note

1.1 Merseyside Pension Fund

1.2 The Benefits Payable audit was finalised during this reporting period to conclude full delivery of the approved Merseyside Pension Fund Internal Audit Plan for 2022-23, which included some collaborative work with Tameside and Bradford Councils and Grant Thornton. The Chief Internal Auditor's Annual Report for the Fund was presented to the Local Pensions Board which sets out; background to the Internal Audit Service provision; an assessment of work undertaken in 2022-23; an opinion on the overall adequacy and effectiveness of the Merseyside Pension Fund's internal control environment; and the outcomes of the internal audit planning process for 2023-24.

1.3 The assessment of the audits completed in 2022-23 found that in all of the cases, there is a sound system of control in place and those controls are consistently applied and effective. In some cases, the work undertaken did identify a number of actions to improve the systems in operation and strengthen the control environment, although none of these were significant. The MPF Management Team continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work completed are consistently and effectively implemented within the agreed timescales.

1.4 The overall audit opinion for 2022-23 is that the Fund maintains adequate and effective control and governance processes. This opinion is based on a range of audit activity completed during the year and from the cumulative knowledge and experience gained of the Fund, including judgements about the calibre and actions of its senior management team. There has been positive engagement with management throughout the year and where audit work has identified weaknesses in the design or application of controls, agreement was reached regarding required actions.

1.5 Housing Benefit Subsidy Claim

1.6 At the request of the Revenues and Benefits Manager - Delivery, a review was completed of the preparation of the Housing Benefit (HB) Subsidy Claim. The main objectives of the audit were to provide a 'health check' of the process and to identify the main areas within the claim that do not attract full subsidy so as to review the associated actions to mitigate the loss. The audit identified that the system for the preparation of the HB claim is well established and was considered effective, with the following highlights:

- Quality monitoring is currently under development with increased opportunities due to the expansion of the Compliance Team and availability of software to enhance the process.
- Working relationships between Financial Services and the Revenues and Benefits team have become more effective, with a greater transparency and understanding of the processes and areas where full subsidy is not reimbursed.
- Currently there is a great deal of activity, both nationally and locally, in the Specified and Supported Housing arena which is positive.
- The exploration of alternative funding of placements is considered to be the main area for future focus to mitigate the loss of subsidy.
- Internal Audit have made a number of recommendations for improvement to the system including: formally documenting the processes involved; researching the availability of alternative grants / funding for some HB cases; and utilising the various networking forums to enhance information exchange / best practice.

1.7 Agency Workers Contract

1.8 An audit was completed on the agency workers contract with Matrix, with audit activity focussing on the utilisation and management of this key corporate contract, evaluating the effectiveness of control arrangements in place. Findings include agreed actions to improve and develop corporate activity outside of this contract, formalisation of the contract extension arrangements with Matrix, and the receipt and distribution of relevant performance information to effectively manage this contract.

1.9 As the current contract expires in May 2024 it is important to commence a recommissioning exercise imminently rather than incur any delay and be compelled to extend the existing contract for another year, as is an option in the current contract terms.

1.10 A report has been presented to senior management that identifies a number of agreed actions and timescales for implementation to improve and develop existing arrangements as detailed above. This includes consideration as to whether this option remains the most effective way of meeting the Council's resourcing needs in this regard.

1.11 Town Deal Regeneration Initiative

1.12 Internal Audit have recently commenced a review of the Town Deal scheme, focussing specifically on the current delivery position for each of the individual projects against agreed targets, the latest funding position and an evaluation of the performance management returns from the project managers to the Council and from the Council to the Government Department.

1.13 A further update on this will be reported to the next meeting of the Audit and Risk Management Committee and include actions agreed with management and identify any progress made to address any issues identified.

- 1.14 Holiday, Activity and Food Programme (HAF)
- 1.15 Internal Audit are currently concluding a review of the effectiveness of the Holiday, Activity and Food programme, coordinated by the Council's delivery partner Edsential, to authorise, disburse and monitor Government funding to approved local providers of this service to vulnerable communities. This review has been undertaken at the request of the Director of Law and Governance.
- 1.16 Audit work has focussed on services to vulnerable communities and is conducted as Edsential are the partner who directly enter details onto Government returns on behalf of the Council, and the key focus has been to confirm the accuracy and validity of the entries and the robustness of the data collection and verification systems within Edsential's operational control environment. This opportunity has also been taken to appraise the processes for safeguarding, food nutrition and financial disbursements to providers in the community. Upon completion of the work a report will be prepared for senior management identifying findings and any actions required and the outcomes shared with this Committee.
- 1.17 Cyber Security
- 1.18 Digital and Improvement have recently appointed a Cyber Security Architect which is having a positive impact on the cyber control environment. Internal Audit have been following up cyber security recommendations and are comfortable that measures are being taken to strengthen and improve the security controls to help prevent a successful cyber-attack similar to the recent attack in St Helen's. An audit on the electoral system access controls has been conducted and the findings and recommendations are currently being discussed with the System Owner. Cyber Security remains a key corporate risk and further audit assignments are planned for the remainder of the audit plan for 2023-24.
- 1.19 Information Governance
- 1.20 Information Asset Owners and Administrators play a key role in protecting the information contained within the assets owned by the Council. We are advised that training has been sourced and is due to be uploaded onto the learning platform imminently to ensure that it is available to all. Internal Audit are recommending that IAO/IAs complete such training when conducting cyber security audit assignments and will be monitoring the uptake and reporting accordingly.
- 1.21 The role of the Information Governance Board is currently being reviewed by the SIRO including its role, responsibilities and work plans with emphasis on enhancing the effectiveness of corporate information management and governance. Internal Audit will be contributing to this review through its direct involvement with the group.
- 1.22 Integrated Commissioning System
- 1.23 Internal Audit completed a review of the governance arrangements within the Wirral Place Based Partnership Board (WPBPB) as part of the 2023-24 Internal Audit Plan during the reporting period. The audit involved engagement with the Place Director and senior officers at the NHS Cheshire and Merseyside Integrated Care Board

(ICB). The purpose of the audit was to ensure that the arrangements in place are effective and appropriate.

- 1.24 The governance arrangements continue to develop as the Integrated Commissioning System (ICS) and Place Board (PB) are maturing. It is encouraging to note that arrangements have developed in a collaborative manner with the Place Directors and governance leads across NHS Cheshire and Merseyside considering the national guidance and adopting appropriate processes. Wirral Place have benefited from already established, embedded working relationships with the partners who are included in the ICS structure and a coterminous area and within the ICB it is recognised that Wirral have relatively strong and mature arrangements in place.
- 1.25 Reflected in the review report is an acknowledgement that the Place Director is currently in the process of introducing arrangements to ensure that there are regular reports that are presented to the PB, including performance reporting, and this should help to identify and then target the local needs and priorities. It was identified that there have been very stringent financial restrictions contained within the ICB/Place arrangements. Recent changes, including to delegation limits, should support greater decision making by the Place Director through partnership arrangements. The report also recognises that development of a risk management framework has been under discussion and is due to be implemented from October 2023.
- 1.26 Further follow up audit work of this nature is planned and the outcomes reported to this Committee.
- 1.27 Regeneration Systems - Governance
- 1.28 An audit is currently being undertaken to obtain assurances over the effectiveness and efficiency of programme governance arrangements within Regeneration systems in operation across the Council and the outcomes will be captured in a report for the Chief Executive and senior management with any agreed actions identified and subsequently reported to this Committee.
- 1.29 Wirral Growth Company
- 1.30 A review has been undertaken of the contract management arrangements within the Wirral Growth Company (WGC). The audit focused on the contract arrangements for the Birkenhead Commercial District (BCD) project including the pre-tender, tender and post award stages.
- 1.31 WGC is a joint venture partnership between Wirral Council and national urban regeneration specialists, Muse Developments. The contractual agreement between Muse and Wirral Council includes the developing partner Morgan Sindall, who is the main contractor for the BCD project. Some smaller contracts were let as part of the project, and we reviewed one contract relating to the site demolition.
- 1.32 We are aware of the evolving nature of the contractual agreement between Wirral Council and Muse for the WGC but as this partnership is continuing in the short term it was appropriate that we issue the report to ensure the risks identified are mitigated

and processes and controls are strengthened as recommended as well as implementing these robust controls into any future developments of a similar nature that the Council may enter into. The report included sixteen recommendations, two of a high priority nature and 14 medium, to improve governance and management arrangements in operation. The high priority recommendations related to:

- Risk Management procedures being documented effectively to ensure compliance with risk management best practice and to determine the current processes and responsibilities for risk and opportunities management within WGC.
- A risk register being completed to identify, control, monitor and report risk to the board.

1.33 A report and Action Plan have been prepared and shared with senior management from the Council and Muse and the Chief Executive is currently liaising with management to ensure implementation of required actions. Further updates on this will be presented to this Committee in due course.

1.34 Counter Fraud Activity

1.35 During the period the team have completed number of reviews into fraud allegations received. These allegations relate to Housing Benefit, Council Tax Support, Discretionary Housing Payments, Direct Payments, Council Tax Discounts & Exemptions, etc.

1.36 The tables below represent the types of allegations leading to investigations concluded during this period and the financial savings identified.

Result Type	Number	Value
Housing Benefit	1	£4,549.24
Council Tax Support	2	£6,700.61
Council Tax Discounts	3	£1,877.43
New Council Tax Liability Identified	0	-
Administration Penalty	2	£3,500.00
Discretionary Housing Payment	1	£3,198.55
Total	9	£19,825.83

1.37 During November 2023 Internal Audit are coordinating a Counter Fraud campaign aimed at both members of the public and the Council workforce. The campaign is scheduled to coincide with the International Fraud Awareness week which takes place annually and has involved collaboration with a number of North-West Authorities. The aim of the initiative is to heighten members of the public and officers' awareness of the scale, nature and impact of fraud and the signs to look out for, as well as directing individuals to the reporting processes and procedures. This is particularly important at this present time as the prevalence of fraud has increased dramatically in recent years as fraudsters have looked to exploit the global economic and financial environment following the pandemic. The campaign includes the use of

various social media channels as well as more traditional outlets such as local newspapers and information totems and banners in public buildings and spaces. Members are requested to support this initiative in the usual fashion.

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	90

3.2 There are currently no significant issues arising.

4. **Internal Audit Planned Work - Quarter 3**

4.1 Audit work is currently being delivered in accordance with the Internal Audit Plan for 2023-24 as endorsed by this Committee in March 2023. 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:

- Financial Resilience – Budget Processes
- Merseyside Pension Fund (Collaborative work with Greater Manchester and West Yorkshire Fund Auditors)

- Corporate Health and Safety
- Oracle Fusion (MPF)
- Town Deal Regeneration Initiative
- Payments Systems – Duplicate Payments/Purchase Orders
- Schools Audits
- Access Control – Payroll System
- Regeneration Governance
- Adults - Direct Payments
- Selfserve System
- Counter Fraud

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 and scheduled for completion this year 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,
- Self-assessment against the Public Sector Internal Auditing Standards and implementation of actions arising out the exercise to develop and improve local arrangements.
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services.