

APPENDIX 1

REPORT TITLE:	INTERNAL AUDIT UPDATE
ACTIVITY SUMMARY – 1 AUGUST TO 30 SEPTEMBER 2024	

1. **Audit Work Completed**

- 1.1 A summary of the audit work completed during the period is included at Appendix 1.A to this report identifying the audit assignment, the risk opinion provided and the number and categorisation of agreed actions.

2. **Items of Note**

2.1 Merseyside Pension Fund

- 2.2 Audits were completed during this reporting period to conclude full delivery of the approved Merseyside Pension Fund Internal Audit Plan for 2023-24, which included collaborative work with Tameside and Bradford Councils on the Northern LGPS and Grant Thornton on the Benefits Payable system. The Chief Internal Auditor's Annual Report for the Fund's stakeholders was presented to the Local Pensions Board which sets out; background to the Internal Audit Service provision; an assessment of work undertaken in 2023-24; 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 2024-25.

- 2.3 The completion of the work in 2023-24 has been considered sufficient and wide-ranging enough to allow a confident and evidence-based audit opinion on the control environment for the Fund. The assessment found that in all of the systems audited in 2023-24 there is a sound system of control in place, those controls are consistently applied and fully 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.

- 2.4 The overall audit opinion for 2023-24 is that the Fund maintains adequate and effective control and governance processes. This opinion is based on the 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.

2.5 Financial Resilience

- 2.6 An audit was carried out during the period as part of the 2023-24 Audit Plan to review and evaluate the efficiency and effectiveness of the Council's overall budget setting and monitoring arrangements including the roles and responsibilities of individual budget holders and the Budget Oversight Panel.
- 2.7 A sample of ten identified savings for the Council were chosen for review and testing with a combined total value of £16.825m. Systems arrangements in place to monitor and report upon the achievement of key targets were reviewed. There have been notable improvements in the process to monitor saving targets and there is a shift to making services more accountable for the delivery of saving targets with the introduction of Oracle Fusion and the use of Power BI which has proved helpful to flag savings that will not be achieved.
- 2.8 The scope of this audit did not include a detailed review of 2024-25 budget savings although comment was provided regarding the increasing significance of the risks in some of these areas and we intend to revisit this element of the audit later in the year and into 2024-25. The audit did however involve an evaluation of how the Council's scrutiny of its reserve strategy considers organisational risks, service needs and the financial sustainability requirements.
- 2.9 The audit findings indicate that whilst the Council has established robust budget monitoring processes overall to manage its finance, the scale of financial challenges it faces moving forward are significant. The audit report identified a 'Major' organisational risk rating due to the significance of financial resilience within the corporate risk register, reflecting the significant financial challenges that the Council faces. The audit risk rating does not suggest a poor control environment or any serious weaknesses in the corporate arrangements.
- 2.10 The report does acknowledge the work that the Council is undertaking to improve the existing arrangements in what is a very challenging financial environment as well as identifying some additional actions to further strengthen these arrangements as well as providing a number of observations for consideration. It also acknowledges the lessons that the organisation has learnt from previous years experiences and how it is acting upon these and recommends that the Council continues to monitor and keep under constant review the risk rating for financial resilience in this challenging environment.
- ## 2.11 Refuse Collection and Street Cleansing Contract
- 2.12 An audit review of the operation of the current Refuse Collection and Street Cleansing Contract has been completed, one of the reasons for this task was to provide assurances and any necessary input into the ongoing processes for the future delivery of these services. It was pleasing to note for a contract of this size that the evaluation of the governance, performance, and financial aspects examined did not lead to any high priority recommendations. The two 'Medium' priority recommendations to improve arrangements going forward involve ensuring all relevant items are included in Action Plans, and that the annual review of existing Key Performance Indicators (KPI's) is evidenced accordingly have been agreed with

appropriate managers along with two low priority recommendations. These will be followed up next quarter and evidence of implementation obtained.

- 2.13 Follow up work undertaken during the period to assess progress being made by senior management to implement actions agreed for audits of Direct Payments (Adults) and Documentation and Storage at Museums, where opinions provided had previously identified significant risks now indicate that good progress has been made to address areas for improvement. These audits are identified on the attached Summary of Internal Audit Activity report.
- 2.14 Counter Fraud Activity
- 2.15 During the period the team have completed 28 reviews into fraud allegations received. These allegations relate to Housing Benefit, Council Tax Support, Discretionary Housing Payments, Direct Payments, Council Tax Discounts & Exemptions, etc.
- 2.16 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	£4,012.47
Council Tax Support	15	£21,081.09
Council Tax Discounts	6	£5,571.88
New Council Tax Liability Identified	1	£3,390.06
Administration Penalty	4	£3,161.77
Discretionary Housing Payment	1	£14,256.39
Total	28	£51,473.66

- 2.17 During November 2024 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. 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.

3. **Audit Recommendations**

- 3.1 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.

4. **Internal Audit Performance Indicators**

4.1 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 delivery of Internal Audit Plan	90	30
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

4.2 There are currently no significant issues arising.

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

5.1 Audit work is currently being delivered in accordance with the Internal Audit Plan for 2024-25 as endorsed by this Committee in March 2024. 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 next quarter includes the following:

- Merseyside Pension Fund (Collaborative work with Greater Manchester and West Yorkshire Fund Auditors)
- Corporate Health and Safety
- Homelessness
- West Kirby Concourse Establishment Audit
- Schedule of Rates
- Birkenhead Market Review
- Payments Systems – Duplicate Payments/Purchase Orders
- Schools Audits
- Counter Fraud Awareness Campaign
- MPF Benefits Payable

- Contract Procedure Rules
- Direct Payments
- Counter Fraud Investigations

6. Internal Audit Developments

6.1 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,
- Ongoing development of performance management and reporting database with enhanced reporting via a real time dashboard for Members of this Committee,
- Development of the Internal Audit Manual,
- Ongoing Enabling Services Review,
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services.