

APPENDIX 1

REPORT TITLE:	INTERNAL AUDIT UPDATE
ACTIVITY SUMMARY – 1 OCTOBER TO 31 DECEMBER 2023	

1 Items of Note

1.1 Income Control

1.2 An Audit was undertaken of the Income Control system as part of the Internal Audit Plan for 2023-24. The purpose of the audit was to determine whether the income control operation provides managers with reasonable assurance that the financial data is accurately and effectively processed. The key focus of the audit was an evaluation of the impact of the new ERP system on the previous operations in respect to the following risk areas: Roles & Responsibilities; Policy & Procedures; Cash Receipts; Bank Receipts; E>Returns; Suspense Accounts; Cashbook & Feeder Systems Reconciliations; Returned Payments; and Bank Reconciliations.

1.3 The audit resulted in a 'minor' organisational risk rating with one medium priority recommendation which related to the review and update of the procedures manual to reflect the current processes in place since the introduction of the ERP system. A number of additional improvements to enhance the control environment were also agreed and implemented during the audit process. These were subsequently reported as audit observations within the formal audit report but they will be tested during the follow-up review to ensure they are operating effectively.

1.4 Payroll – Selfserve Bank Account Controls

1.5 Employee bank account details are amended by the employee through the Selfserve IT system, using their payroll number and password to access their details. Employee bank account details can also be amended through the Selfserve IT system by the Payroll Team if an employee is unable to perform the task themselves. A targeted review was undertaken as part of the Internal Audit Plan for 2023/24, to determine if the controls over employee bank account changes within the Selfserve system provide management with reasonable assurance that improper activities are detectable and incorrect payments can be effectively recovered.

1.6 The findings from the work undertaken have concluded that the controls over employee bank account changes within the Selfserve system are effective and provide management with reasonable assurance that improper activities are detectable. However, a small number of areas for improvement were identified in the systems in operation over the recovery of any incorrect payments generated. Four recommendations have been agreed with management that include: Enhancements to the guidance available to employees regarding the change of bank account information on Selfserve; and updating the Payroll manual to reference the processes for rectifying mistakes and recovering erroneous payments where applicable.

- 1.7 Early Voluntary Retirement/Severance (EVR/S)
- 1.8 An audit is currently being undertaken to review and evaluate processes in operation over the corporate EVS and EVR systems for efficiency and effectiveness. The objective of the audit is to obtain assurance that the latest Council policies and procedures are transparent, effectively communicated and accurately and consistently applied. Upon completion, the report will identify findings from a review of the latest EVS tranche, which was publicised in January 2023 and any EVR applications received from January 2023 to 29 August 2023. The outcome from this exercise will be reported to this Committee upon completion.
- 1.9 Climate Emergency
- 1.10 Follow up audit reviews have taken place during the period to assess progress made to implement 17 recommendations agreed with management following an audit completed in 2023 of the Council's Climate Emergency arrangements.
- 1.11 The Council continues to make progress and as at the 31 November 2023 14 of the 17 recommendations have been effectively implemented and 3 remain outstanding. It is acknowledged that these actions are of a cross cutting service nature and consequently require significantly greater effort to implement, however it is important that senior management remain focussed on implementing these important strategic actions at the earliest opportunity to ensure that the Council remains on target to achieve its corporate objectives in this area.
- 1.12 Outstanding recommendations relate to communicating to the workforce the importance of including cc data on the mileage claim forms to ensure accurate capturing of 'grey fleet' emissions data, and two recommendations relating to the clarification and implementation of a procurement strategy for the achievement of the Environmental and Climate Emergency Plan targets. It is acknowledged that some work is currently taking place with regard to these recommendations.
- 1.13 Matrix System
- 1.14 Following an audit review of the Matrix system earlier this year a number of actions were agreed with senior management to improve systems in operation and address any underlying risks, the findings from the audit were reported to this Committee in October 2023 and an update on implementation progress requested.
- 1.15 An audit follow up was completed this period that included significant liaison with senior officers responsible for implementing actions and an update provided that identifies progress being made to implement agreed actions. This confirms that all of these have now either been implemented or are currently in progress. The following activity is currently ongoing:
- Review of current processes in place to access the Matrix system, place and manage orders.
 - Refresher training for HR/OD and Procurement officers on end-to-end system use, and full suite of available reporting.
 - Weekly operational meeting for HR/OD teams to discuss system issues,

orders and placements.

- 1.16 In addition, Internal Audit are also advised that prior to the contract expiry date HR/OD and Procurement officers will be reviewing and considering alternative solutions in conjunction with other local authorities across the region, ensuring that value for money is obtained, that any future arrangements remain fit for purpose and are commercially viable. We are assured that all aspects of the Councils requirements in this area will be considered including justification for agency appointments and associated costs in different areas.
- 1.17 Waste Commissioning Contract
- 1.18 Internal Audit remain a member of the Refuse Collection & Street Cleansing Contract Review Board looking ahead to the future delivery of this major service when the existing contract expires in 2027. The timeframe for the completion of the Outline Business Case is May 2024 and the Final Business Case is November 2024 via the appointed consultant, approved by the relevant service committee.
- 1.19 Member engagement sessions and community consultations are currently taking place, and internal audit plan to perform targeted work on the existing contract in the final quarter of the 2023-24 financial year to ascertain assurances and any learning points from the current contract management processes regarding financial, governance, and performance issues.
- 1.20 Holiday, Activity and Food Programme (HAF)
- 1.21 An audit review of the effectiveness of the Holiday, Activity and Food programme, coordinated by the Council's delivery partner Edsential has been completed this period, evaluating the robustness of arrangements 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.
- 1.22 It is pleasing to note that the findings of the work identified a strong control environment in operation that included accurate entries onto grant claims on behalf of the Council by officers at Edsential and robust challenge by the Council's Children's Services senior officers reviewing applications for funding before disbursement to a range of direct service providers. Declarations of interest are clearly evidenced and detailed records are maintained of programme delivery. This includes numbers receiving the service, checking of safeguarding policies, inspection of food quality, insurances, training, and feedback from the recipients of the service.
- 1.23 Two relatively minor issues arising from this work were the need to include an element within the Edsential spreadsheet to assist highlighting when the next inspection visit is due, and the need for future SLA's with the Council to include the right of access to records if required. Both these points have been actioned by the relevant officers.

1.24 Cyber Security

1.25 Digital and Improvement are in the process of recruiting a cyber security team that will bring enhanced in-house cyber security expertise to the Council. The team will be responsible for developing and managing the ICT Digital Security and Cyber Risk function of the Council, and for implementing any remaining outstanding Internal Audit recommendations in this area. This is a very positive step forward in future proofing the security of our systems and networks to protect the data of Wirral's residents and to ensure continued services in the face of ever-increasing threats of this nature.

1.26 It is anticipated that Internal Audit will be in regular dialogue with the team to provide additional advice and support where necessary. Following a recent cyber-attack on Zellis a payroll services provider, who currently provide Wirral Councils payroll service, Internal Audit have commenced an access controls review to ensure appropriate controls are in place to identify any potential hacking attempts. Details of the outcome of this review will be provided at the next meeting of this Committee.

1.27 Information Governance

1.28 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 all Information Asset Owners and Administrators complete this training and we will be monitoring the uptake when conducting cyber security audit assignments and reporting accordingly.

1.29 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.

1.30 In addition, Internal Audit have assignments scheduled for this quarter that include reviewing the new Early Years Education System (EYES), specifically focussing on management and governance of the data flow in and out of the system which will help inform more targeted audit work in the 2024-25 ICT audit plan.

1.31 Counter Fraud Activity

1.32 During the period the team have completed twelve reviews into fraud allegations received. These allegations relate to Housing Benefit, Council Tax Support, Discretionary Housing Payments, Direct Payments, Council Tax Discounts & Exemptions. Further details including any amounts recovered will be included in the next update report to this Committee.

1.33 During November 2023 Internal Audit coordinated a successful Counter Fraud campaign aimed at both members of the public and the Council workforce. The campaign coincided with the International Fraud Awareness week and involved

collaboration with a number of North-West Authorities. Following the exercise the Council has received a significant increase in the number of referrals and requests from both staff and members of the public for support and assistance in this area.

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 4**

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
- Mayor Charity
- Regeneration Schemes – Programme and Project Governance
- Adults - Direct Payments
- ICT Access Control
- EVS/EVR
- Grants
- Market Review
- 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:

- Development of Client Reporting arrangements to include more real time interaction, with the emphasis on digitising the action implementation feedback,
- 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 collaborative working arrangements for the delivery of Pension Fund audits across the Northern Pool,
- Ongoing development of performance management and reporting database,
- Development of the Internal Audit Manual in line with evolving best professional practice,
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services.

5.2 Quality Assurance Improvement Programme

5.3 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.

5.4 Internal Audit's QAIP, 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.

5.5 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.

5.6 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 originally approved the QAIP in 2015 and subsequent annual updates thereafter.

- 5.7 Internal Audit undertakes a self-assessment review of its activities against the QAIP annually to ensure that the 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.
- 5.8 Internal Audit Charter and Strategy.
- 5.9 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.