

## APPENDIX 1

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>ACTIVITY SUMMARY – 1 FEBRUARY TO 15 MARCH 2024</b>	

### 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. This is a new report that has been prepared following discussion with the Chair of this Committee, her predecessor and other colleagues and is presented to ensure that Members are provided with more comprehensive and timely data relating to the delivery of the audit service.

### 2. Items of Note

2.1 Refuse Collection and Street Cleansing Contract Review and Commissioning

2.2 Internal Audit remain an active 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 June 2024 and the Final Business Case is November 2024 via the appointed consultant, approved through officer delegation.

2.3 Member engagement sessions and stakeholder consultations have been taking place regularly, and Internal Audit are still scheduled to perform targeted work on the existing contract in the final quarter of the 2023-24 and running into the 2024-25 financial year to ascertain assurances and any learning points from the current contract management processes regarding financial, governance, and performance issues. The outcome of this work will be reported to this Committee in due course.

2.4 Regeneration Programme Governance

2.5 At the request of the Chief Executive, the team continue to be involved in completing audit work to review ongoing corporate work and initiatives to strengthen the governance arrangements supporting the Regeneration Programme. A baseline review of all projects was undertaken which informed a Regeneration Workplan that has been used to direct the development work. Areas involved in the review have included:

- A review and refresh of the structure of the programme governance and reporting arrangements in place. This includes the role and purpose of the various programme boards, how these link through the Regeneration Programme Board and other officer groups and the overarching arrangements for Member and Partner involvement including the Wirral Regeneration Partnership Board. These arrangements are currently being finalised. Linked to this, and the agreement of Terms of Reference for the various groups, the reporting arrangements are being reviewed and finalised.

- Arrangements for the prioritisation of projects, linked to the need to deliver key Pathfinder grant funded projects by the March 2026 deadline.
- A resourcing review linked to the what needs to be delivered by March 26, which is to be reported to Policy & Resources in March 24.
- A review of programme and grant administration procedures including the Regeneration Programme Management Office (PMO) arrangements.
- A workshop in February 24 for Members of the Economy, Regeneration and Housing Committee.

2.6 The review has involved significant work and focus in recent months and arrangements are soon to be finalised. The operation of these new arrangements will be subject to further targeted Internal Audit challenge and review as part of planned work in the 2024-25 Audit Plan. More information regarding these arrangements and associated assurances provided are included in the Regeneration and Place Risk Management Report elsewhere on the agenda for this Committee meeting and being delivered by the Director of Regeneration.

2.7 Merseyside Pension Fund

2.8 A significant time resource within this reporting period has been utilised to progress the delivery of the Audit Plan 2023-24 in respect to the Merseyside Pension Fund, (MPF).

2.9 During this current financial year MPF has transferred its General Ledger IT operating system from Oracle 1Business to Oracle Fusion as part of the corporate wide implementation of the new Enterprise Resource Planning (ERP) application. The system went 'live' at MPF on 18<sup>th</sup> December 2023. An audit review has now been completed to provide assurance on the GL data migration process. No unmitigated risks or process errors were detected in the work undertaken and therefore the audit findings can provide reasonable assurance that the migration of MPF GL data to the new Oracle Fusion system has been effective.

2.10 In addition, the following audits are currently in progress or nearing completion and their outcomes will be reported at the next ARMC meeting:

- Northern LGPS - A collaborative review with the internal auditors for Bradford and Tameside Council to evaluate the governance arrangements for the Northern Pool. The audit objective is to provide management and stakeholders with reasonable assurance that governance arrangements are effective for MPF in respect to their participation within the Northern LGPS Collective Asset Pool.
- Pension Contributions Payable Employer Visits - As part of our strategic audit plan for the Pension Fund we introduced a rolling programme of visits to Scheme Employers. As Wirral Council is one of the Scheduled Bodies of the MPF, an audit of the WBC contributions payable system was included within the Internal

Audit Plan for 2023-24. The objectives of the audit are to ensure that the LGPS Regulations are being appropriately administered and that the contributions being paid over to the Fund are correct.

- Pensions Payroll System – The objective for this review is to determine whether the controls in respect to the risks inherent within the Pensions Payroll system are robust and provide reasonable assurance that the associated financial transactions are valid and accurate.

#### 2.11 ERP System Impact Reviews – Key Financial Modules

2.12 Reviews are currently progressing to evaluate the impact on the control environments of the various ERP modules that went live in April 2023 on the Council's key financial systems. The objective of these audits is to evaluate the impact of each ERP module on the operation of the system in order to provide management with assurance that the key risks following implementation have been identified, investigated and mitigated where appropriate. The audit methodology primarily utilises an internal control questionnaire (ICQ) developed for undertaking this high-level review for each module and the outcomes will be reported at the next ARMC meeting.

#### 2.13 Contract Governance

2.14 An audit is currently being concluded to evaluate the effectiveness of governance arrangements in operation over a sample of key corporate contracts. The objective of the audit was to ensure that the risks associated with the system are appropriately addressed.

2.15 Two contracts within the Highways Division of the Neighbourhoods Directorate were examined in detail and the adequacy and effectiveness of current contract management arrangements assessed, and any associated issues of contracts governance evaluated.

2.16 A report is being prepared for senior management identifying the findings and outcomes from this work including any areas for improvement and identifying any points for action and these findings will be summarised and reported to this Committee in my next Internal Audit Update report,

#### 2.17 Agency Workers Contract

2.18 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 a further update on implementation progress provided at the meeting in January 2024.

2.19 Good progress has been made by officers within the Human Resources Service to strengthen arrangements in place and Internal Audit have been advised that the following governance arrangements are now in operation:

- A centrally managed approach for the approval and engagement of temporary workers.
- The types of roles being engaged and the associated spend being reviewed regularly at Departmental Management Teams and by the Council's Senior Leadership Team.
- The spend on temporary workers being reported through the Council's budget monitoring process; and,
- Directorate workforce planning approaches that considers, details and addresses the strategic and operational workforce planning needs of services so that the engagement of temporary workers is only used when it is the most advantageous workforce solution to the Council.

- 2.20 The service advises that it is using the insight gained from these controls and governance as well as feedback sessions with a selection of recruiting managers to conduct regular quality assurance and contract performance reviews with Matrix to ensure the current managed service contract continues to be fit for purpose and provides value for money.
- 2.21 In addition, refresher training for HR/OD, Procurement officers and managers has now taken place and drop-in sessions with Matrix key account representatives is taking place on a weekly basis.
- 2.22 A programme of review work is also currently underway of the current managed service contract to ensure that this type of solution continues to be fit for purpose; provides value for money; and to test the market, ensuring commercial viability. This review involves significant stakeholder engagement regarding the effectiveness of current arrangements compared to alternative solutions and will consider financial, organisational and performance elements.
- 2.23 Internal Audit will continue to monitor progress and are scheduled to undertake targeted testing during 2024-25 to evaluate the effectiveness of the revised arrangements, the outcome of which will be brought to this Committee.
- 2.24 Early Voluntary Retirement/Severance
- 2.25 An audit was completed during the period to review and evaluate processes in operation over the corporate EVS and EVR systems for efficiency and effectiveness. The objective of the audit was to obtain assurances that the latest Council policies and procedures are transparent, effectively communicated and accurately and consistently applied.
- 2.26 A sample of applications received from January to August 2023 were examined and a report prepared for management that identified findings and included a 'Minor' organisational risk rating as our testing confirmed that policies and procedures were being adhered to e.g., the approval of the Assistant Director HR and OD had been obtained for all successful applications, the relevant forms had been completed and all the calculations were accurate. The following major principles had been applied for the cases tested:

- Savings were achieved with the deletion of the relevant posts,
- The severances were made with the delivery of corporate objectives in mind and,
- The discretionary element of some of the decision making, was to ensure the Council future proofs with the appropriate structures and officers in place.

2.27 An action plan was agreed with management that identified some areas where arrangements could be developed further and improvements made to existing systems that included the introduction of documented templates for evidencing some actions.

2.28 Information Governance

2.29 The Information Asset Owner (IAO) and Information Asset Administrator (IAA) training is now available on the Councils online learning platform and all IAOs and IAAs have been informed of corporate requirements regarding completion. Internal Audit will be monitoring the uptake and reporting any problems accordingly.

2.30 A number of audits have been completed of access controls across a range of key corporate systems, as previously reported to this Committee and a number of recommendations to strengthen controls agreed with management, these will be followed up in due course and progress reported in line with established processes including any escalations as appropriate.

2.31 Internal Audit have recently joined the Payment Card Industry Data Security Standard (PCIDSS) Collaboration Group providing support and challenge to this important initiative. It is pleasing to note that good progress is now being made as the Council works towards corporate compliance with this standard in all areas.

2.32 The role of the Information Governance Board is 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 continue to contribute to this review through its direct involvement with the group.

2.33 Annual Governance Statement Review

2.34 During the reporting period the team have been working on completing the Annual Governance review that includes targeted work to evaluate the effectiveness of arrangements in accordance with the CIPFA/SOLACE Delivering Good Governance in Public Sector publication. The key elements of this include:

- Completion of Governance Assurance Statements by SLT Directors,
- 121 meetings with all Directors,
- Review of governance issues raised in external/internal assurance reports and audit work completed in-year.

2.35 This work will be summarised for consideration by the Chief Executive, Director of Finance and Director of Law & Corporate Services, the Strategic Leadership team (SLT) and the Leader and will be formally reported through the draft Annual

Governance Statement. The draft statement will be agreed with SLT and the Leader and reported to the June ARMC meeting.

### 2.36 Counter Fraud Activity

2.37 During the period the team have completed 64 reviews into fraud allegations received. These allegations relate to Housing Benefit, Council Tax Support, Discretionary Housing Payments, Direct Payments, Council Tax Discounts & Exemptions, etc.

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

<b>Result Type</b>	<b>Number</b>	<b>Value</b>
Housing Benefit	-	-
Council Tax Support	4	£3,460.66
Council Tax Discounts	3	£2,322.54
New Council Tax Liability Identified	1	£4,906.68
Administration Penalty	1	£687.07
Discretionary Housing Payment	2	£120.00
<b>Total</b>	<b>11</b>	<b>£11,496.95</b>

## 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.

3.2 Internal Audit continue to monitor progress for those action items identified as 'Amber' rated and report any slippages to the Strategic Leadership Team and the Operational Performance Group via the Power Bi dashboard on a monthly basis. Currently slippages involving actions arising from audits of Direct Payments, Climate Emergency and Health and Safety are being monitored very closely and discussions taking place with senior management regarding actions required. If matters are not resolved satisfactorily then these items will be escalated to this Committee for further action.

## 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:

<b>IA Performance Indicator</b>	<b>Annual Target</b>	<b>Actual % Delivery to date</b>
Delivery of the Internal Audit Plan.	Full Delivery	On target
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

4.2 There are currently no significant issues arising.

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

5.1 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:

- Merseyside Pension Fund (Collaborative work with Greater Manchester and West Yorkshire Fund Auditors)
- Financial Resilience - Budgeting
- Contract Management/Governance
- Corporate Health and Safety Follow Up
- Town Deal Regeneration Initiative
- Payments Systems Follow Up – Duplicate Payments
- Schools Audits
- Regeneration Governance
- Adults - Direct Payments Follow Up
- Counter Fraud

## 6. **Internal Audit Plan 2024-25**

6.1 Work is currently concluding on preparation of the Internal Audit Plan of work for 2024-25 identifying all of those area of the Council's operations that will be subject to audit activity during the year. Upon completion of this work the plan will be presented to the Strategic Leadership Team and this Committee. During the process consideration is being given to a number of important factors as detailed:

6.2 Requirements of the Public Sector Internal Audit Standards (PSIAS):

6.3 The PSIAS state that the 'chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals'.

6.4 Development of the Audit Plan:

6.5 In developing the Audit Plan, account is being taken of the following:

- The Council's overall risk management processes including the Corporate Risk Register and departmental/service registers.
- Senior management's views on risk in their areas of responsibility.
- The results of previous internal audit work.
- Other existing sources of assurance, including the work of external audit.
- New or emerging risks affecting the Council or local government as a whole.
- Known changes to the Council's business, operations, programs, systems, and controls.
- The requirement to ensure sufficient and wide-ranging coverage in order to provide a robust annual audit opinion.
- Any planned work being carried over from 2023-24.

6.6 Alignment of the Audit Plan to the Council's Corporate Priorities:

6.7 The Audit Plan is being prepared in a way that reflects key risks presented to the Council whilst also taking account of corporate priorities as detailed in the Wirral Council Plan 2023-27.

6.8 Budgeted time allocations:

6.9 Time allocations will be determined and agreed for each area included in the Audit Plan commensurate with the available staffing resource. This process is in accordance with current best professional practice across the sector.

## 7. **Internal Audit Developments**

7.1 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 and North West Counter Fraud groups 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,
- Ongoing development of the performance management and reporting database with enhanced reporting to Members of this Committee as evidenced in the Appendix 1.A to this report. Further work will continue in this area with consideration of a real time dashboard for Members.
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services.