



Audit and Governance Committee

23rd November 2020

INTERNAL AUDIT PROGRESS REPORT

1.0 Introduction

- 1.1 The Internal Audit Section delivers an annual programme of work designed to evaluate the effectiveness of the Council's governance, risk management and internal control processes.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Audit and Governance Committee receive regular updates on the activities of Internal Audit, in particular:
- providing assurance that sufficient work will be carried out to provide a reliable annual opinion on the effectiveness of the control environment and any amendments to the Audit Plan
 - bringing to the Committee's attention any issues identified during the course of the year which could impact on the annual opinion
 - advising on the adequacy and effectiveness of controls in new and developing systems
 - advising on the prevention and detection of fraud and investigating where suspected fraud or irregularity has been identified or brought to our attention.
- 1.3 This report provides a summary of the work of the Internal Audit Section between 1st April and 30th September 2020.

2.0 Impact of COVID-19

- 2.1 Since the onset of the COVID-19 pandemic, members of the Internal Audit Team have all been working from home. Particularly in the first quarter of the year, Internal Audit supported the Council's emergency response in a number of ways, and whilst some of this activity is consistent with Internal Audit's role to provide assurance on governance, risk management and internal control, team members have taken on operational roles where necessary. This support included consultancy and assurance work in the following areas:
- providing support to the Revenue and Benefits and Employment and Skills Teams in designing and implementing a claims process for the payment of

Small Business Grants, Retail, Hospitality and Leisure Grants and Discretionary Grants on behalf of the Government

- undertaking pre-payment checks to ensure that the risk of fraudulent claims is minimised. This included the use of information from Companies House and Spotlight, a data matching tool developed by the Cabinet Office
- undertaking post payment checks on Small Business Grants to identify if any monies have been paid outside the eligibility criteria
- provision of advice and guidance where new processes or ways of working are required to ensure that controls are in place to manage new or changing risks. This included representation on the New Ways of Working Policy, Task and Finish Group
- monitoring and analysis of Personal Protective Equipment (PPE) data for the PPE Cell Group
- support to the Revenue and Benefits and Employment and Skills Teams in the implementation of the claims process for the Local Restrictions Support Grant that was recently introduced by the Government in September. This will require further resources in the third quarter as at the time of writing, the Tier 3 Liverpool City Region and national lockdown restrictions had been announced.

2.2 When staff who have undertaken operational roles return to audit duties, we will ensure appropriate steps will be taken to ensure that the Audit Team members maintain their organisational independence in accordance with the PSIAS.

2.3 Whilst this work delivered significant benefits in terms of assurance on internal control and identified suspected fraudulent claims, it has impacted on the completion of outstanding work for 2019/20 and resulted in a delay in planned internal audit work for 2020/21.

2.4 A new Audit Management System (Pentana) had been scheduled to go live in April 2020. The Covid pandemic resulted in a delay in implementation and Pentana went live in July 2020. Currently the System is only being used by audit team members, however it is intended that business users will be provided with access during the second part of the year. The new System will provide an improved management tool in terms of recording work, monitoring performance and monitoring outstanding audit recommendations.

3.0 **Carry Forward Work From 2019/20**

3.1 There were 12 reviews as at 31st March 2020, where audit work had yet to be finalised and reports issued. During the period 1st April to 30th September 2020 four reviews have been completed, five draft reports have been issued and are awaiting agreement by departmental management (Looked After Children, Alternative Education Provision, Troubled Families, Residential and Nursing, and Grounds Maintenance) and two remain outstanding (Payroll and Development Control). For one audit, work had only started in March and given the pressures on the Service, we did not want to interrupt operations, therefore it was agreed that this audit will be deferred (Contact Cares).

3.2 In addition, there were five 2019/20 school reviews to be finalised. Two of these reviews have now been completed and three draft reports have been issued and are awaiting agreement by the head teachers.

4.0 Audit Plan 2020/21

- 4.1 Due to the impact of COVID-19, a revised audit plan for 2020/21 was approved by the Audit and Governance Committee on 27th July 2020.
- 4.2 The plan takes account of the new challenges facing the Council and includes assurance work in relation to arrangements in place during the COVID-19 lockdown and for reset and recovery. There is sufficient coverage of core areas for the Head of Internal Audit to provide an audit opinion at the end of the year.
- 4.3 Planned assurance work on COVID-19 reset and recovery areas has commenced, and this includes reviews of Business Rates, Accounts Payable and Personal Protective Equipment.
- 4.4 The school audit programme had to be suspended for the summer term but now that schools have re-opened for the new school year, preparation work has commenced and school reviews will recommence from November 2020.
- 4.5 General grant assurance work has continued, where grant claims have required certification by the Chief Internal Auditor. In particular, quarterly audit reviews have been undertaken in respect of the Liverpool City Region (LCR) Investment Funds and monthly reviews of the arrangements and documentation to support the Troubled Families grant.
- 4.6 With regard to counter fraud, the original counter fraud plan has been deferred to 2021/22 and planned days have been allocated to COVID-19 assurance work.
- 4.7 ICT audit coverage is provided by Salford Internal Audit Services (SIAS) and two reviews have been agreed for completion in the second half of the year.
- 4.8 A summary of the audit work completed to date is attached at Appendix A and includes for each, where applicable, the audit opinion on the robustness of controls and an analysis of the recommendations.

5.0 Merseyside Recycling and Waste Authority (MRWA) Service Level Agreement

- 5.1 Work against the agreed Audit Plan for MRWA has not yet commenced. However, following a complaint of potential fraud received by MRWA in relation to the main waste contract provider, Internal Audit are currently undertaking a joint investigation with MRWA as part of the Service Level Agreement arrangements in place.
- 5.2 It has been agreed with MRWA that the investigation days will replace the medium/low risk planned reviews for 2020/21. The two high risk planned reviews with regard to the two major contracts will still be undertaken to ensure that an annual audit opinion can be provided to MRWA.

6.0 Implementation of Recommendations

- 6.1 The effectiveness of internal audit work relies on there being an appropriate system to track and report on the implementation of audit recommendations in line with agreed action plans. Whilst management are responsible for ensuring that agreed actions are put in place, Internal Audit has an important role in providing independent monitoring over implementation.
- 6.2 Currently, a follow up exercise is completed twice a year, to obtain confirmation from management that all the agreed high and medium priority recommendations have

been implemented. The table below provides a summary of the number of outstanding actions. The Covid pandemic has impacted on the achievement of some of the timescales and responsible officers are working towards revised timescales. Outstanding actions will be reported in more detail at the next meeting.

	Recommendations Outstanding
Corporate Services	11
Place Services	16
Children & Young People's Services	0
Integrated Care Services	1
Fundamental Systems	6
ICT	11
Counter Fraud	0
Total	45

- 6.3 Going forward, the new Audit Management System will provide a facility for responsible officers to directly update progress against recommendations, which will improve and streamline the process.

7 Summary

- 7.1 Progress on the Internal Audit Plan for 2020/21 has been impacted by the Covid-19 pandemic. As well as some slippage on the original plan, there has also been a re-allocation of resources to focus on Covid related activity.
- 7.2 Both the planned audit work and the advice, support and guidance provided during this period will be sufficient to inform the Annual Internal Audit Opinion for 2020/21 and demonstrate a pro-active approach to managing the control environment during these challenging times.

Appendices

Appendix A – Internal Audit Work Completed 1st April – 30th September 2020

Work Completed between 1st April to 30th September 2020

Audit Title	Audit Assurance	Recommendations		
		High	Medium	Low
Trading Standards 2019/20	Substantial	0	13	11
Youth Justice 2019/20	Substantial	4	10	3
Sundry Debtors 2019/20	High	0	1	1
Cash Income 2019/20	High	0	3	3
Allanson Street Primary 2019/20	Substantial	0	7	2
Queens Park Primary 2019/20	Substantial	0	14	4
LCR Grant A570 Qtr. 4 2019/20 and Qtr. 1	N/A	Assurance provided prior to certification		
LCR Grant A580 Qtr. 4 2019/20 and Qtr. 1 2020/21	N/A	Assurance provided prior to certification		
LCR Grant STEP Qtr. 4 2019/20 and Qtr. 1 2020/21	N/A	Assurance provided prior to certification		
Troubled Families Grant (Apr to August 2020)	N/A	Assurance provided prior to submission		
Blue Badge New Criteria Implementation Grant	N/A	Assurance provided prior to certification		
Bus Grant	N/A	Assurance provided prior to certification		
Reset and Recovery – Business Rates	High	No recommendations		