

HALTON BOROUGH COUNCIL

Internal Audit Annual Report

Presented to the Business Efficiency Board on 8 June 2016



2015/2016

Section One

Executive summary

1.1 Introduction

In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. This is achieved through delivering a risk-based plan of work (the Internal Audit Plan), which has been agreed with management and approved by the Business Efficiency Board.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. However, it does form one of the sources of assurance that underpins the Council's annual governance statement.

1.2 Overall assurance

In providing an opinion it should be noted that assurance can never be absolute. Internal Audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed during the year.

In assessing the level of assurance to be given, account is taken of:

- The audits completed during the year;
- Any follow-up action taken in respect of previous audits;
- Any significant recommendations not accepted by management and the resulting risks;
- The extent to which resource constraints prevent Internal Audit from providing assurance over all key risks faced by the Council;
- The outcomes of the Internal Audit Quality Assurance and Improvement Programme.

1.3 Opinion

In the opinion of the Head of Internal Audit, the Council continues to maintain adequate and effective risk management, control and governance processes. There are no outstanding issues from the internal audit work completed during the year that need be disclosed in the 2015/16 Annual Governance Statement.

Section Two

Basis of the opinion

2.1 Planned coverage and output

The Business Efficiency Board approved an Audit Plan comprising 1,231 days for 2015/16. Internal audit delivered 1,197 days of audit work during the year. The level of audit coverage achieved during the year is considered sufficient and wide-ranging to ensure that a confident and evidence-based annual opinion can be provided.

As reported to the Board in February 2016, the volume of unplanned work undertaken during the year necessitated some planned reviews from 2015/16 being deferred and included in the 2016/17 Internal Audit Plan.

2.2 Summary of audit assignments completed

A summary of the audit assignments finalised during the year is provided in Section 3. Each audit is graded in terms of how well risks are managed in the area under review. Three different assurance levels are used: substantial, adequate and limited.

65 audit reports were finalised and reported to the Board:

- 41 areas received substantial assurance opinions;
- 19 areas received adequate assurance opinions;
- Five audits received limited assurance opinions.

2.3 Summary of follow-up audit assignments completed

14 'follow-up' audit assignments were completed and are listed in Section 4. These audits are graded in terms of the progress made by management in addressing the risks raised in the original audit report:

- 12 areas received substantial assurance opinions;
- Two areas received adequate assurance opinions.

2.4 Conformance with the Public Sector Internal Audit Standards

The methodology employed by internal audit is designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. The Business Efficiency Board has previously given its approval for this assessment to be undertaken through a peer review process facilitated through the North West Chief Audit Executives' Group (NWCAEG).

Basis of the opinion (cont.)

NWCAEG is currently in the process of drawing up a timetable for the review of each participating authority. All the external assessments must be completed by 31 March 2018.

2.5 Quality Assurance and Improvement Programme

It is a requirement of PSIAS that the annual report provides a commentary on the results of the internal audit 'Quality Assurance and Improvement Programme' (QAIP). The purpose of a QAIP is to enable an evaluation of the internal audit activity's conformance with professional standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The key issues to note from the QAIP in 2015/16 are summarised below:

- The internal monitoring and quality assurance processes outlined in the QAIP have been in operation throughout the year.
- Further work has been undertaken on the self-assessment against the PSIAS and the accompanying Local Government Application Note in preparation for the external assessment of the internal audit service.
- All the internal auditors have signed declarations confirming their compliance with the Code of Ethics.
- Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. The responses received from the questionnaires issued in 2015/16 again demonstrated a high level of client satisfaction with the audit service provided.

Section 3

Summary of internal audits completed

A summary of the audit assignments completed in the year is set out below. Details are provided of the assurance ratings and the number and priority of recommendations from each assignment. The audits are grouped according to the Business Efficiency Board meeting at which they were presented:

23 September 2015

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
1.	Sci-Tech Daresbury Enterprise Zone – Capital Grant Fund	Substantial	0	0	0
2.	Our Lady Mother Of The Saviour RC Primary School	Substantial	0	0	5
3.	Spinney Avenue Primary School	Adequate	1	4	3
4.	Children’s Centres	Substantial	0	3	2
5.	DWP Work Programme - Information Security	Substantial	0	0	0
6.	Liverpool City Region Growth Fund	Substantial	0	0	0
7.	Disabled Facilities Capital Grant	Substantial	0	0	0
8.	Tree Inspection & Management	Limited	1	2	0
9.	Area Forums	Adequate	1	3	2
10.	Records Management Unit	Adequate	0	3	1
11.	Social Media	Substantial	0	2	1
12.	Housing Benefit	Substantial	0	2	1
13.	Council Tax	Substantial	0	1	1
14.	NNDR	Substantial	0	0	1
15.	Accounts Payable (Creditors)	Substantial	0	0	0
16.	Accounts Receivable (Sundry Debtors)	Adequate	0	6	1
17.	Payroll	Substantial	0	1	0

Summary of internal audits completed (cont.)

18 November 2015

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
18.	St John Fisher Catholic Primary School	Substantial	0	2	2
19.	The Bridge School – Agency Workers	Limited	2	1	0
20.	Ashley School	Adequate	0	2	6
21.	Pewithall Primary School	Substantial	0	1	4
22.	Widnes Recreation Site	Substantial	0	0	0
23.	Children with Disabilities – Short Breaks	Adequate	1	4	1
24.	Gypsy & Traveller Sites	Limited	8	2	0
25.	Backup Data Centre	Adequate	1	3	3
26.	Local Code of Corporate Governance	Substantial	0	2	3
27.	Matrix Agency Contract	Limited	4	3	0
28.	Managing the Risk of Fraud and Corruption	Substantial	0	2	0

Summary of internal audits completed (cont.)

24 February 2016

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
29.	Out of Borough and Independent Residential Placements	Adequate	1	6	0
30.	School Admissions	Substantial	0	1	4
31.	Free Early Years Education	Adequate	1	4	0
32.	All Saints Upton Primary School	Limited	3	6	2
33.	Castle View Primary School	Adequate	0	2	4
34.	Moorfield Primary School	Substantial	0	2	4
35.	Gorsewood Primary School	Substantial	0	2	2
36.	Westfield Primary School	Adequate	0	2	6
37.	Halebank CE Primary School	Adequate	0	3	7
38.	Land & Property – Acquisitions & Disposals	Substantial	0	1	1
39.	Local Growth Fund STEP Grant Claim - Quarter 1	Substantial	0	0	0
40.	Local Growth Fund STEP Grant Claim - Quarter 2	Substantial	0	0	0
41.	Local Transport Capital Grants	Substantial	0	0	0
42.	Accounting Journals	Substantial	0	0	1
43.	Housing Benefit	Substantial	0	0	0

Summary of internal audits completed (cont.)

8 June 2016

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
44.	Foster Care and Special Guardianship Orders	Adequate	0	4	1
45.	School Meals Service	Adequate	0	3	4
46.	Troubled Families Programme	Substantial	0	0	0
47.	St Berteline's CE Primary School	Substantial	0	2	3
48.	St Clement's Catholic Primary School	Adequate	0	5	4
49.	Beechwood Primary School	Substantial	0	1	2
50.	Woodside Primary School	Adequate	0	5	5
51.	Local Growth Fund STEP Grant Claim - Quarter 3	Substantial	0	0	0
52.	Local Growth Fund STEP Grant Claim - Quarter 4	Substantial	0	0	0
53.	Performance Reporting	Adequate	0	0	6
54.	Public Health	Adequate	2	4	0
55.	Council Tax	Substantial	0	0	2
56.	Loans & Investment	Substantial	0	0	0
57.	Revenues and Benefits and Customer Services - Systems Team	Substantial	0	0	0
58.	Sundry Debtors	Substantial	0	0	0
59.	NNDR (Business Rates)	Substantial	0	0	0
60.	Non-current Assets	Substantial	0	1	0
61.	Managing the risk of Bribery	Substantial	0	3	0
62.	Agresso	Substantial	0	4	0
63.	Health Improvement Team	Adequate	1	5	1
64.	Debit & Credit Card Refunds	Substantial	0	0	0
65.	Section 106 Agreements	Substantial	0	2	1

Section 4

Summary of ‘follow-up’ audits completed

The Public Sector Internal Audit Standards require the ‘chief audit executive’ to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. This process involves internal audit carrying out work to determine the progress that management has made in implementing recommendations previously agreed. A follow-up audit report is then issued summarising the results of this work.

Each follow-up audit provides an overall assurance opinion, which is based on the extent to which the risks identified in the original audit have been addressed. The following table summarises the results of the follow-up assignments completed during the year:

	Assignment	Assurance Rating	Status of agreed actions				Reported to BEB
			Implemented	Ongoing	Outstanding	No longer relevant	
1.	Oakfield Primary	Substantial	8	0	0	0	23 September 2015
2.	St Gerard’s RC Primary	Substantial	11	0	0	0	23 September 2015
3.	St Martin’s Catholic Primary	Substantial	8	0	0	0	18 November 2015
4.	The Holy Spirit Catholic Primary	Substantial	4	1	0	0	18 November 2015
5.	Runcorn All Saints CE Primary	Substantial	5	1	0	0	18 November 2015
6.	Halton Lodge Primary	Substantial	3	1	0	0	18 November 2015
7.	Weston Primary	Substantial	8	3	0	0	18 November 2015
8.	Lunts Heath Primary	Substantial	6	1	0	0	18 November 2015
9.	Imprest Accounts	Substantial	4	1	0	0	24 February 2016
10.	St. Edward’s Catholic Primary	Substantial	4	1	0	0	24 February 2016
11.	Windmill Hill Primary	Substantial	5	1	0	1	24 February 2016
12.	Victoria Road Primary	Adequate	0	2	4	0	24 February 2016
13.	Appointeeships & Deputyships	Substantial	3	1	0	0	24 February 2016
14.	Sickness Management	Adequate	1	6	0	0	24 February 2016