

HALTON BOROUGH COUNCIL

Internal Audit Annual Report

Presented to the Business Efficiency Board on 7 June 2017



2016/2017

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 2016/17 Annual Governance Statement.

Section Two

Basis of the opinion

2.1 Planned coverage and output

Internal audit delivered 737 of the 1,061 planned days of audit work during 2016/17. The level of audit coverage achieved was less than planned due to a number of long term sickness absences that reduced the available staffing resource. However, the work completed is considered sufficient and wide-ranging enough to ensure that a confident and evidence-based annual audit opinion can be provided.

As previously reported to the Board, the reduction in available staffing resource necessitated some planned reviews from 2016/17 being deferred and included in the 2017/18 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.

38 audit reports were finalised and reported to the Board:

- 23 areas received substantial assurance opinions;
- Ten areas received adequate assurance opinions;
- Five audits received limited assurance opinions.

2.3 Summary of follow-up audit assignments completed

Nine '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:

- Six areas received substantial assurance opinions;
- Three 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).

Basis of the opinion (cont.)

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).

The external assessment of Halton Borough Council is due to take place in September 2017. It is to be undertaken by a team made up from St Helens Council and Blackburn with Darwen Council. The results of the inspection and any resulting Action Plan will be reported to the Board at its November 2017 meeting.

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 2016/17 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 2016/17 again demonstrated a high level of client satisfaction with the audit service provided.
- The training and development needs of the internal audit team have continued to be met through a combination of on the job training, e-learning and attendance at relevant training events. Two members of the internal audit team are also currently working towards becoming Accredited Counter Fraud Specialists.
- An area for development that has been identified is to review the areas of coverage within school audits. This issue is currently in the process of being addressed.

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 November 2016

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
1.	Troubled Families Programme – Grant Claim	Substantial	0	0	0
2.	Care Financials	Adequate	0	3	0
3.	Weston Primary School	Limited	3	9	3
4.	Saints Peter & Paul Catholic College	Adequate	0	5	7
5.	Accounts Payable	Substantial	0	0	0
6.	Payroll	Substantial	0	0	3
7.	Local Transport Capital Block Funding Grant	Substantial	0	0	0
8.	Bus Subsidy Ring-Fenced (Revenue) Grant	Substantial	0	0	0
9.	Emergency Planning	Adequate	1	7	2
10.	Disciplinary Procedure	Adequate	0	5	1
11.	Street Lighting	Adequate	1	2	0
12.	Local Growth Fund Grant Claim Quarter 2 – Silver Jubilee Bridge	Substantial	0	0	0

Summary of internal audits completed (cont.)

1 February 2017

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
13.	Local Growth Fund STEP Grant Claim - Quarter 2	Substantial	0	0	0
14.	Local Growth Fund STEP Grant Claim - Quarter 3	Substantial	0	0	0
15.	Contingency Planning for Care Provider Failure	Substantial	0	2	2
16.	Legal Debt Recovery Process	Adequate	0	2	0
17.	Procurement Strategy	Substantial	0	0	3
18.	Cash Security - Ashley Green Residential Housing	Limited	0	3	1
19.	Halton Heritage Partnership - Working Lives Project	Limited	3	0	0
20.	Accounting Journals	Substantial	0	0	0
21.	School Meals Service – Breakfast Clubs	Adequate	0	2	0
22.	Commissioning of Specialist Services	Substantial	0	0	3
23.	Sustainable School Transport	Adequate	0	5	4
24.	Managing the risk of Fraud & Corruption	Substantial	0	0	4
25.	St Martin's Catholic Primary School – Credit Card Expenditure	Limited	5	1	2
26.	Loans & Investments	Substantial	0	1	0
27.	Local Growth Fund Grant Claim Quarter 3 – Silver Jubilee Bridge	Substantial	0	0	0

Summary of internal audits completed (cont.)

7 June 2017

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
28.	Local Growth Fund STEP Grant Claim - Quarter 4	Substantial	0	0	0
29.	Troubled Families Grant Claim	Substantial	0	0	0
30.	Local Growth Fund Grant Claim Quarter 4 - Silver Jubilee Bridge	Substantial	0	0	0
31.	St Basil's Catholic Primary School	Adequate	0	4	4
32.	Windmill Hill Primary School	Limited	2	8	2
33.	DWP Work Programme – Information Security	Substantial	0	0	1
34.	Non-Domestic Rates	Substantial	0	0	0
35.	Property Insurance	Adequate	0	5	3
36.	Council Tax	Substantial	0	0	1
37.	Housing Benefit	Substantial	0	0	0
38.	Remote and agile working	Substantial	0	0	0

Summary of internal audits completed (cont.)

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.	Tree Maintenance & Inspection	Substantial	1	2	0	0	23 November 2016
2.	BACS Bureau Accreditation	Adequate	1	1	0	0	23 November 2016
3.	Social Media	Substantial	3	0	0	0	23 November 2016
4.	Spinney Avenue CEVC Primary School	Adequate	4	2	0	2	23 November 2016
5.	Area Forums	Adequate	3	2	0	1	7 June 2017
6.	Ashley School	Substantial	4	4	0	0	7 June 2017
7.	Sickness Management	Substantial	7	0	0	0	7 June 2017
8.	Woodside Primary School	Substantial	6	4	0	0	7 June 2017
9.	Westfield Primary School	Substantial	6	2	0	0	7 June 2017