



# Internal Audit Annual Report

Business Efficiency Board - 25 July 2018

## 2017/18

# 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 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, the Head of Internal Audit's opinion forms 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. The work of internal audit can only provide reasonable assurance that there are no major weaknesses in the Council's risk management, control and governance processes.

The opinion provided is based on the work completed by internal audit and reported to the Business Efficiency Board. It must be noted that there may be weaknesses in the Council's systems of internal control that have not been identified if they did not form part of the programme of audit work completed or were excluded from the scope of individual internal audit assignments.

### 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 has been positive engagement with management in agreeing recommendations where weaknesses in the design or application of controls were identified. Action plans are in place to address all issues identified during the year.

The results of the follow up audits completed during the year provide substantial assurance that agreed actions in response to audit reports are actually implemented.

## Section Two

### Basis of the opinion

---

#### 2.1 Planned coverage and output

Internal audit delivered 991 of the 1,151 planned days of audit work during 2017/18. The level of audit coverage achieved was less than originally planned for two main reasons. Firstly, a member of the team took an extended period of unpaid leave, which could not have been anticipated when the Plan was produced. Secondly, a significant amount of time was used to provide management support to the investigations function, which transferred into the Audit team in July 2017.

To mitigate the reduction in staffing resource the Business Efficiency Board agreed to defer the following reviews and include them in the 2018/19 Audit Plan:

- Learning & Development
- Apprenticeships
- Plant, machinery and work equipment
- Halton People Into Jobs
- Governance framework
- Tele-healthcare

The audit work completed during the year is considered sufficient and wide-ranging enough to allow a confident and evidence-based annual audit opinion.

#### 2.2 Summary of work supporting the opinion

The audit work undertaken that forms the basis of the opinion includes:

- Assessment of the design and operation of the Council's governance framework and the Local Code of Corporate Governance and supporting processes;
- Review of the Council's risk management arrangements and overall assurance framework;
- Assessment of the range of audit opinions arising from risk-based audit assignments that have been reported to the Business Efficiency Board throughout the year. This assessment has taken account of the relative materiality of each area audited.
- Assessment of management's responses to audit recommendations and the progress made in addressing risks and issues identified through audit work.

## Section Two

### Basis of the opinion

---

#### 2.3 Audit assignments completed

A full list of the audit assignments that have helped inform the opinion is provided in Appendix A. Each audit is graded in terms of how well risks were managed in the area under review. Three different assurance levels are used: substantial, adequate and limited. Definitions of the assurance levels are provided in Appendix C.

55 audit reports were finalised and reported to the Board:

- 35 areas received substantial assurance opinions;
- 18 areas received adequate assurance opinions;
- Two audits received limited assurance opinions.

The two audits that received limited assurance opinions are not considered to be sufficiently significant or material to impact on the overall opinion on the Council's risk management, control and governance processes.

#### 2.4 Follow-up audit assignments completed

16 'follow-up' audit assignments were completed during the year and are listed in Appendix B. These audits examine the progress that management has made in implementing previously agreed audit recommendations. A revised assurance opinion is issued for each 'follow up' audit, which is informed by the extent to which the issues identified in the original audit report have been addressed. The opinions issued are summarised below:

- 15 areas received substantial assurance opinions;
- One area received an adequate assurance opinion.

#### 2.5 Limitations placed on internal audit

During the year, there have been no matters arising which have impacted on the independence of the internal audit service and there have been no inappropriate scope or resource limitations on internal audit work.

As previously reported to the Board, the Head of Internal Audit also has managerial responsibility for a number of other finance functions. Arrangements to safeguard the independence of internal audit have been established and were agreed by the Business Efficiency Board in June 2017. These arrangements have operated effectively throughout the year.

## Section Two

### Basis of the opinion

---

During 2017/18, the following audits were completed on areas which are managed by the Head of Internal Audit:

- Accounts Payable
- Bank Mandates
- Adult Social Care Charges
- Accounts Receivable
- Income Control

Terms of reference for each of these audits were agreed with the Operational Director – Finance who approved the scope of the audit. Similarly, the draft report for each audit was shared with the Operational Director – Finance at the same time as being presented to Head of Internal Audit for review. This ensured that there was no opportunity for the suppression of any audit findings.

#### 2.6 Conformance with the Public Sector Internal Audit Standards

Under PSIAS, internal audit services are required to have an external quality assessment every five years. The Council's external assessment was completed during 2017/18 and the overall conclusion was that the Council's internal audit arrangements substantially conform to the standards. The full external assessment report was presented to the Business Efficiency Board at its meeting in February 2018.

#### 2.7 Quality Assurance

Internal Audit operates a Quality Assurance and Improvement Programme (QAIP) to ensure that it maintains consistently high standards. Key elements of the quality assurance arrangements are described below:

- The internal audit team is made up of appropriately trained and qualified staff with significant local government experience. The majority of the team are members of professional institutes and comply with ethical rules, technical standards and professional practice laid down by those bodies.
- Internal audit work is based upon a detailed risk-based audit plan, which is agreed in consultation with management and is approved by the Business Efficiency Board;
- Internal audit employs an audit methodology that is in accordance with professional standards;

## Section Two

### Basis of the opinion

---

- Terms of reference are agreed with management for each audit assignment to ensure stakeholder “buy in” and involvement;
- Robust management review is undertaken of all audit files and reports prior to issue;
- There is a system of regular reporting of progress against the plan to the Business Efficiency Board;
- All internal audit staff complete annual declarations confirming their compliance with the Code of Ethics;
- There is a commitment to the continuing professional development of all internal audit staff through a range of learning and development opportunities. These include professional training, on the job training, e-learning and attendance at relevant training events and workshops. During 2017/18 two members of the internal audit team qualified as accredited counter fraud investigators.
- Internal Audit invites feedback on the quality of service provided by issuing a ‘satisfaction questionnaire’ at the end of each audit. 41 surveys were completed and returned since 1 April 2018, which is a very high response rate. The feedback received was extremely positive and indicated an overall satisfaction level of 95%. There were no common themes in the questionnaires returned that highlighted any particular areas for improvement.

A sample of comments received through the questionnaires is included below:

- *“The auditor was very thorough in his questioning and had clearly spent time to understand the finer points of GDPR. The audit report greatly assists the Council in understanding what we have done and still need to do.”*
- *“Always a positive experience with helpful and knowledgeable staff that support and offer challenge to the processes.”*
- *“Very good communication and support throughout the process. We worked together to ensure we focused on key areas and to help the auditor understand our business. It was good to have somebody impartial looking through our processes and procedures. We have been able to work with the auditor to improve service delivery/financial controls.”*
- *“We found the audit a useful experience particularly as it was the first one for our Business Manager. Areas highlighted for development were fair.”*

## Section Two

### Basis of the opinion

---

- *“The timing of the audit was particularly helpful as it enabled us to focus our attention on implementing the bank's new arrangements for managing bank mandates. The Auditor kept me informed of the findings throughout the process which enabled any queries to be resolved along the way. Good communication throughout the process. Additionally, the auditor provided a useful recommendation around linking up with HR information for leavers which we have implemented and is working well.”*
- *“Many thanks for the help and development that has been given to us throughout the process.”*
- *“A comprehensive and effective audit.”*
- *“Kept well informed at all stages of the audit and discussions took place over the practicality of the recommendations.”*
- *“The auditor had a really good grasp of the service area. I was kept involved at every step. Good, practical recommendations which we can deliver.”*
- *“Our Auditor was very informative and supportive.”*
- *“The audit report was clear and concise about what was required and there was very little disruption to the team during the audit. It helped that the auditor had a good understanding of the business.”*
- *“The auditor demonstrated a sound understanding of the system and our processes and we are happy with the time taken to complete the review.”*
- *“This audit has helped to identify specific risks which involve a number of services within the Council; with the use of the report and recommendations I hope this can be taken forward and the risks reduced. Thank you.”*
- *“The auditor was extremely thorough but also fair and approachable. She was also a good listener, taking on board any issues discussed.”*

## Section Two

### Basis of the opinion

---

- *“It was a very thorough audit of what is a very complex subject matter. The auditor very quickly got an understanding of the processes and identified the key areas. I was involved at all stages of the process and kept up to date with progress. The auditor identified the key issues and some that had not been considered previously.”*
- *“Very clear and supportive process.”*

## Appendix A

### Summary of audit assignments

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

#### 27 September 2017

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
1.	Support to Care Leavers	Substantial	0	1	5
2.	Subject Access Requests (SARs)	Adequate	2	1	0
3.	Accounts Payable	Substantial	0	0	1
4.	Apprenticeship Hub	Adequate	0	1	0
5.	Troubled Families Grant Claim	Substantial	0	0	0
6.	Atlantis Grant Claim	Substantial	0	0	0
7.	Farnworth CE Primary School	Substantial	0	2	1
8.	Brookvale Primary School	Adequate	0	6	2
9.	Chesnut Lodge Primary School	Adequate	0	4	2
10.	Astmoor Primary School	Substantial	0	1	1
11.	St. Mary's Primary School	Substantial	0	1	2
12.	Fairfield Primary School	Substantial	0	0	2
13.	Ditton Primary School	Adequate	0	5	4

## Appendix A

# Summary of audit assignments

22 November 2017

Assignment	Assurance Rating	Recommendations made		
		High	Medium	Low
14. St Chad's Catholic & Church of England High School	Limited	3	5	2
15. Deprivation of Liberty Safeguards	Adequate	1	6	0
16. Bus Subsidy Ring-Fenced (Revenue) Grant	Substantial	0	0	0
17. Local Growth Fund Grant Claim Quarter 2 - Silver Jubilee Bridge	Substantial	0	0	0
18. Moore Primary School	Substantial	0	1	1
19. Payroll	Substantial	0	2	4
20. Supporting People	Substantial	0	0	3
21. Bank Mandates	Substantial	0	1	1
22. Troubled Families Grant Claim	Substantial	0	0	0
23. Local Growth Fund STEP Grant Claims - Quarter 2	Substantial	0	0	0

## Appendix A

# Summary of audit assignments

7 February 2018

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
24.	Brookfields School	Adequate	0	4	3
25.	Runcorn All Saints Primary School	Adequate	0	1	5
26.	Murdishaw West Primary School	Substantial	0	0	1
27.	Gypsy Traveller Sites	Limited	4	4	0
28.	The Brindley Theatre	Adequate	0	5	2
29.	Local Growth Fund Grant Claim Quarter 3 - Silver Jubilee Bridge	Substantial	0	0	0
30.	Bankline Payments System	Substantial	0	0	3
31.	Adult Social Care Charges	Adequate	0	2	2
32.	Trading Standards	Adequate	0	2	2
33.	Local Growth Fund STEP Grant Claim	Substantial	0	0	0

## Appendix A

# Summary of audit assignments

25 July 2018

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
34.	Alternative Day Services	Adequate	1	3	3
35.	Troubled Families Grant Claim	Substantial	0	0	0
36.	Mersey Gateway Regeneration Plan – Governance Arrangements	Substantial	0	1	2
37.	Accounting Journal Transfers	Substantial	0	0	0
38.	Accounts Receivable	Substantial	0	0	0
39.	Council Tax	Substantial	0	0	2
40.	Fees & Charges	Adequate	0	4	0
41.	Non-Operational Property Assets	Adequate	0	3	1
42.	Hale CEVC Primary School	Substantial	0	0	0
43.	Our Lady of Perpetual Succour RC Primary School	Adequate	0	3	1
44.	The Holy Spirit RC Primary School	Adequate	0	2	4
45.	All Saints Upton CE Primary School	Adequate	0	5	4
46.	STEP Grant – Quarter 4 2017/18	Substantial	0	0	0
47.	Silver Jubilee Bridge (Stream 1 Funding) Grant - Quarter 4 2017/18	Substantial	0	0	0
48.	Silver Jubilee Bridge (Stream 2 Funding) Grant - Quarter 4 2017/18	Substantial	0	0	0
49.	Troubled Families Grant (May 2018)	Substantial	0	0	0
50.	Housing Benefit and Council Tax Reduction	Substantial	0	2	0
51.	Business Rates	Substantial	0	0	2
52.	Governance Framework	Substantial	0	1	0
53.	Income Control	Substantial	0	1	1
54.	Leisure Centres	Adequate	0	2	6
55.	General Data Protection Regulation	Substantial	0	1	1

## Appendix B

### Summary of follow-up audit assignments

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			
			Implemented	Ongoing	Outstanding	No longer relevant
<b>27 September 2017</b>						
1.	St. Clement’s Catholic Primary School	Substantial	6	2	1	0
2.	Foster Care & Special Guardianship Allowances	Substantial	3	2	0	0
3.	Free Early Years Entitlement Funding	Substantial	3	2	0	0
4.	School Meals Service	Substantial	5	2	0	0
5.	Performance Reporting	Substantial	6	0	0	0
<b>22 November 2017</b>						
6.	Children with Disabilities (Short Breaks)	Substantial	2	3	0	0
7.	Out of Borough and Independent Placements	Adequate	3	3	1	0
8.	Public Health	Substantial	6	0	0	0
9.	Health Improvement Team	Substantial	7	0	0	0
<b>25 July 2018</b>						
10.	Matrix Agency Contract	Substantial	5	2	0	0
11.	Cash Security - Ashley Green Residential Housing	Substantial	3	1	0	0
12.	Halton Apprentice Hub	Substantial	1	0	0	0

## Appendix B

### Summary of follow-up audit assignments

Assignment		Assurance Rating	Status of agreed actions			
			Implemented	Ongoing	Outstanding	No longer relevant
13.	St. Martin's Catholic Primary School	Substantial	8	0	0	0
14.	Subject Access Requests	Substantial	2	1	0	0
15.	Saints Peter & Paul Catholic College	Substantial	8	4	0	0
16.	Halton Heritage Partnership: Working Lives Project	Substantial	3	0	0	0

## Appendix C: Assurance Level Definitions

---

---

### *Conclusions from Audit Findings*

---

### *Assurance Level*

---

Improvements in procedures and controls are required to strengthen the management of risk(s) fundamental or material to the activities reviewed.



**Limited**

---

In the main there are appropriate procedures and controls in place to mitigate the key risks to the activities reviewed. However, some opportunities were identified to improvement the management of some risks.



**Adequate**

---

Effective procedures and controls in place to mitigate the key risks to the activities reviewed.



**Substantial**

---