



Internal Audit Annual Report

Business Efficiency Board - 24 July 2019

2018/19

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 through the work of internal audit.

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

Section Two

Basis of the opinion

2.1 Planned coverage and output

Internal audit delivered 883 of the 1,060 planned days of audit work during 2018/19. The level of audit coverage achieved was less than originally planned for due to staffing resources being impacted by a combination of long term sickness absence and maternity leave.

To mitigate the reduction in staffing resource the Business Efficiency Board agreed to defer a number of reviews and include them in the 2019/20 Audit Plan. Some additional resource was also brought in from a neighbouring authority to assist with the completion of work on the key financial systems.

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:

- Review of the Council's risk management arrangements;
- Assessment of the range of audit opinions arising from 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 internal audit's recommendations and the progress made in addressing risks and issues identified through audit work.

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.

51 audit reports were finalised and reported to the Board:

- 43 audits resulted in substantial assurance opinions;
- 7 audits resulted in adequate assurance opinions;
- One audit resulted in a limited assurance opinion.

Section Two

Basis of the opinion

The only audit to result in a limited assurance opinion was the audit of The Stadium. Whilst that audit identified a number of significant issues that needed to be addressed, the issues were specific to the Stadium's operations. As such they are not considered to be sufficiently material to impact on the overall opinion on the entire Council's risk management, control and governance processes. The follow up audit on The Stadium also provides assurance that substantial progress has since been made in addressing the issues identified in the original audit.

2.4 Follow-up audit assignments completed

13 '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:

- 11 audits resulted in substantial assurance opinions;
- Two audits resulted in 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 agreed by the Business Efficiency Board. These arrangements have operated effectively throughout the year.

During 2018/19, the following audits were completed on areas which are managed by the Head of Internal Audit:

- Prepaid Cards
- Agresso Income Manager
- Accounts Receivable

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.

Section Two

Basis of the opinion

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. There were no departures from these arrangements in 2018/19.

Section Three

Quality Assurance and Improvement Programme

3.1 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;
- Terms of reference are developed with key stakeholders for each audit assignment which set out the agreed coverage;
- 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.

3.2 Feedback from audit clients

Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. 18 surveys were completed since the last Annual Report. The feedback received was universally positive and 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 internal audit was undertaken in a competent and professional manner.*

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Quality Assurance and Improvement Programme

- *Clear, precise, detailed analysis, great co-working between internal audit and the service. Good engagement on development of the Terms of Reference and understanding the key areas for enquiry.*
- *Quite happy with the process as it has given clarity in respect of areas to focus on.*
- *The auditor conducted the audit in a professional manner. She was keen to listen to our views and discuss processes that are in place in school. The auditor is a true professional. She did a thorough job at gathering all information. At the same time, she was very approachable and made the whole experience a positive and productive process.*
- *The auditor was supportive, knowledgeable and understood what was required and provided challenge.*
- *Very thorough piece of work. The auditor made some very helpful observations and recommendations which have been fully absorbed into the service area's work. It was very helpful to have the service examined by someone who was not familiar with the area and who could therefore ask intelligent questions but from a position of detachment.*
- *The auditor had a good understanding of the systems and processes involved, which made the audit process very simple and straightforward.*
- *Excellent support and challenge throughout the process.*
- *The auditor demonstrated a sound understanding of the system and our processes and we are happy with the time taken to complete the review.*
- *Thank you for your support and the 'working together' approach to improve system controls and delivery.*

3.2 Areas for development

Internal Audit's quality assurance arrangements have identified two areas that the team will be looking to develop further in 2019/20:

- One internal performance measure relates to the prompt reporting of audit work. During 2018/19 there were occasions when there were delays in issuing draft audit reports. These delays were sometimes unavoidable but it is recognised that a more robust system is required to ensure that management is kept informed about delays in reporting and that extensions to reporting deadlines are formally agreed and documented.
- Another internal performance measure relates to the completion of audits within budget. During 2018/19 there were a number of occasions when the budget for individual assignments was exceeded, sometimes significantly. This can happen for many

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Quality Assurance and Improvement Programme

reasons and is not necessarily a reflection on the performance of the internal audit team. However, overruns on audit assignments inevitably impact on the completion of other planned work and therefore need to be managed.

To address this issue a more formalised approach to agreeing extensions to budgets for individual assignments has been introduced. Where it is identified that additional time is required to complete an audit assignment the budget for the assignment will be revised and documented. The increase in budget will then be formally allocated from the contingency budget. Should the contingency budget be exhausted the remaining work for the year will be reprioritised and lower priority work may be deferred until the following year.

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 made. The audits are grouped according to the Business Efficiency Board meeting at which they were presented:

21 November 2018

Assignment	Assurance Rating	Recommendations made		
		High	Medium	Low
1. Loans & Investments	Substantial	0	0	0
2. Cybersecurity	Substantial	0	3	0
3. Mental Health Services	Substantial	0	1	3
4. The Stadium	Limited	6	3	2
5. Troubled Families Grant Claim (July 2018)	Substantial	0	0	0
6. Troubled Families Grant Claim (October 2018)	Substantial	0	0	0
7. Bus Subsidy Ring-Fenced Revenue Grant Claim	Substantial	0	0	0
8. LGF Grant Claim Quarter One - Silver Jubilee Bridge	Substantial	0	0	0
9. LGF Grant Claim Quarter One - Silver Jubilee Bridge Variation Grant	Substantial	0	0	0
10. Key Route Network Grant – Quarter One	Substantial	0	0	0
11. Key Route Network Grant – Quarter Two	Substantial	0	0	0
12. LGF STEP Grant – Quarter One	Substantial	0	0	0
13. LGF STEP Grant – Quarter Two	Substantial	0	0	0
14. St. Bede's Infants School	Substantial	0	0	0
15. Simms Cross Primary School	Adequate	0	2	4
16. St. Bede's Juniors School	Substantial	0	1	4
17. Halton Lodge Primary School	Adequate	0	3	2
18. Prepaid Cards	Substantial	0	0	2

Appendix A

Summary of audit assignments

27 March 2019

	Assignment	Assurance Rating	Recommendations made		
			High	Medium	Low
19.	Highways	Substantial	0	0	2
20.	Agresso – Income Manager	Substantial	0	0	0
21.	Mersey Gateway – Financial Arrangements	Substantial	0	2	0
22.	Windmill Hill Primary School	Substantial	0	0	4
23.	St. Michael’s Catholic Primary School	Substantial	0	0	4
24.	Children’s Centres	Substantial	0	0	2
25.	The Bridge School	Substantial	0	1	6
26.	Halton Integrated Community Equipment Service	Adequate	1	2	2
27.	Kennelling Service	Substantial	0	1	1
28.	Castle View Primary School	Substantial	0	0	1
29.	Hillview Primary School	Substantial	0	0	0
30.	Key Route Network Grant – A557 – Q3 2018/19	Substantial	0	0	0
31.	Key Route Network Grant – Silver Jubilee Bridge - Q3 2018/19	Substantial	0	0	0
32.	Housing Benefit	Substantial	0	0	2
33.	Markets	Adequate	0	6	1
34.	Troubled Families – Grant Claim (February 2019)	Substantial	0	1	0

Appendix A

Summary of audit assignments

24 July 2019

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
35.	Troubled Families Grant Claim (March 2019)	Substantial	0	0	0
36.	Plant, Machinery & Work Equipment	Substantial	0	0	1
37.	Payroll	Substantial	0	0	0
38.	Care Management (Adults) – Information Workflows	Adequate	1	1	2
39.	Foster Care	Substantial	0	0	4
40.	Residential Placements - Children	Adequate	1	1	3
41.	Adult Social Care - Debt Recovery	Adequate	1	2	1
42.	Accounts Receivable	Substantial	0	0	1
43.	Taxi Licensing	Substantial	0	0	2
44.	Business Rates	Substantial	0	0	0
45.	Troubled Families Grant Claim (May 2019)	Substantial	0	0	0
46.	Mersey Gateway - Employee Toll Reimbursement Scheme	Substantial	0	1	1
47.	Key Route Network Grant – Silver Jubilee Bridge - Q4 2018/19	Substantial	0	0	0
48.	Sustainable Transport Enhancement Package Grant – Q4 2018/19	Substantial	0	0	0
49.	Key Route Network Grant – A557 – Q4 2018/19	Substantial	0	0	0
50.	Local Growth Fund Grant - Silver Jubilee Bridge - Q4 2018/19	Substantial	0	0	0
51.	Risk Management	Substantial	0	1	0

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
21 November 2018						
1.	Brookfields School	Substantial	6	1	0	0
2.	Brookvale Primary School	Substantial	6	0	0	0
3.	Document Management	Substantial	4	0	0	0
4.	Weston Primary School	Substantial	14	0	0	1
5.	Care Financials	Substantial	2	1	0	1
6.	Deprivation of Liberty Safeguards	Substantial	7	0	0	0
7.	The Brindley	Substantial	4	3	0	0
24 July 2019						
8.	The Holy Spirit Catholic Primary School	Substantial	6	0	0	0
9.	Leisure Centres	Substantial	7	1	0	0
10.	Gypsy Traveller Sites	Substantial	7	1	0	0
11.	Property Insurance	Adequate	4	4	0	0
12.	Chesnut Lodge School	Substantial	6	0	0	0
13.	The Stadium	Adequate	7	4	0	0

Appendix C: Assurance Level Definitions

<i>Conclusions from Audit Findings</i>	<i>Assurance Level</i>
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
