



# Internal Audit Annual Report

Business Efficiency Board - 21 July 2020

## 2019/20

## Section One

### Executive summary

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#### 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. This opinion is based on audit work performed during 2019/20 and from cumulative knowledge of the organisation.

There has been positive engagement with management in agreeing recommendations where audit work has identified weaknesses in the design or application of controls. 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 implemented.

## Section Two

### Basis of the opinion

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#### 2.1 Planned coverage and output

Internal audit delivered 684 of the 895 planned days of audit work during 2019/20. As reported to the Board throughout the year, completion of the planned number of days of audit work was not achievable. This was due to a combination of factors, which included a long term-sickness absence, maternity leave, a vacancy and time lost towards the end of the year as a result of Covid-19, when the audit team was asked to support other business areas to respond to the pandemic.

To mitigate the reduction in staffing resource the Business Efficiency Board agreed to defer a number of reviews and include them in the 2020/21 Audit Plan. Additional resource was also brought in during the year through a temporary agency placement.

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

It is important to note that the overall opinion is based on Internal Audit work undertaken during 2019/20, the majority of which took place prior to Covid-19 and the resulting emergency measures being implemented. Covid-19 has resulted in a significant level of challenge to the Council and necessitated some changes to its control and governance arrangements. Internal Audit has however had significant involvement in supporting the Council's response to Covid-19. This is both in terms of completing audit work directly relating to the Council's emergency response, and also in terms of supporting and advising other business areas. To date no significant issues or weaknesses have been identified that would impact on the overall opinion.

#### 2.2 Summary of work supporting the opinion

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

- Review of the risk management arrangements within specific business areas;
- The work of Internal Audit in reviewing the Council's governance arrangements and annual review of the Constitution;
- 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.

## 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.

42 audit reports were finalised and reported to the Board during the year. The assurance ratings provided are shown in the table below with comparative information for 2018/19 and 2017/18. Also included is the number of audit days delivered in each year.

Financial year	No. of audit days	Substantial Assurance	Adequate Assurance	Limited Assurance	Total
2019/20	684	36	6	0	42
2018/19	883	43	7	1	51
2017/18	991	35	18	2	55

#### 2.4 Follow-up audit assignments completed

Six '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:

- Four 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.

## Section Two

### Basis of the opinion

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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.

The audit of Direct Payments for Children with Disabilities was the only audit completed during the year that included coverage of an area for which the Head of Internal Audit also had some operational responsibilities.

#### 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 2019/20.

## Section Three

# Quality Assurance and Improvement Programme

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### 3.1 Quality Assurance

The development and maintenance of a Quality Assurance and Improvement Programme (QAIP) is a requirement within PSIAS.

The purpose of the QAIP is to ensure that the Internal Audit service operates in accordance with PSIAS and the Local Government Application Note (LGAN) and 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 all of the team complies 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, webinars 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. This is an important process in terms of identifying how the audit was received by the service area. It is also an important means of identifying aspects of the audit process that can be improved.

## Section Three

# Quality Assurance and Improvement Programme

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The feedback received from the survey returned in the year was very 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:

- *Professional, put us at ease, explained things fully.*
- *The audit was carried out in a thoroughly professional manner and feedback at all times was constructive.*
- *The report captured the breadth of activities that help manage risk across the Council very well.*
- *A worthwhile audit with some very effective recommendations that will have a positive impact.*
- *The auditor was very supportive and understanding given the current situation. The recommendations were useful moving forwards.*

### 3.3 Areas for development

The challenge for the Internal Audit team in 2020/21 is to complete sufficient audit work during the year to provide assurance to support the annual audit opinion. For various reasons the current pandemic impacted on the completion of audit work and coverage in quarter one of 2020/21 has been affected.

Like many other teams, all members of the Internal Audit team have been working from home since mid-March. Initially most of the team were seconded to other business areas to provide support where it was needed most. However, the auditors are now mostly engaged in audit work with audits being completed remotely. This enforced change has provided the opportunity to challenge the way the team operates and to implement some improvements to working practices. Performance management and quality control arrangements will however need to be kept under review and adapted as required.

In terms of audit coverage, some planned audits of frontline services have had to be postponed temporarily to allow services to focus on the Council's response to the pandemic. The pandemic has also necessitated changes to planned work, as the environment within which the Council is operating has changed significantly since the 2020/21 Audit Plan was approved on 24 February 2020.

In order to address the situation, a more dynamic approach will be undertaken to the planning of audit work with planned coverage being kept under constant review. The 2020/21 Audit Plan will therefore need to be flexible to accommodate changes in the priority of audit work. Changes to planned coverage will be reported to the Board through the regular Internal Audit Progress Reports.

## 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:

#### 20 November 2019

	Assignment	Assurance Rating	Recommendations made		
			High	Medium	Low
1.	Key Route Network (KRN) Grant – Silver Jubilee Bridge - Q1 2019/20	Substantial	0	0	0
2.	Sustainable Transport Enhancement Package (STEP) Grant – Q1 2019/20	Substantial	0	0	0
3.	Sustainable Transport Enhancement Package (STEP) Grant – Q2 2019/20	Substantial	0	0	0
4.	Troubled Families Grant Claim (July 2019)	Substantial	0	0	0
5.	Troubled Families Grant Claim (September 2019)	Substantial	0	0	0
6.	Local Growth Fund (LGF) Grant - Silver Jubilee Bridge - Q1 2019/20	Substantial	0	0	0
7.	Local Growth Fund (LGF) Grant - Silver Jubilee Bridge - Q2 2019/20	Substantial	0	0	0
8.	Local Transport Capital Block Funding – Pothole Action Fund 2018/19	Substantial	0	0	0
9.	Madeline McKenna Court and Millbrow Care Homes	Adequate	0	5	3
10.	Learning & Development	Substantial	0	0	2
11.	Payment Card Industry Data Security Standard (PCIDSS)	Adequate	0	6	0
12.	Adult Placement Service	Substantial	0	2	1
13.	Ditton and Warrington Road Nursery Schools	Substantial	0	0	2
14.	St. Edward's Catholic Primary School	Substantial	0	0	2

## Appendix A

### Summary of audit assignments

24 February 2020

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
15.	0-19 Healthy Child Service	Adequate	0	3	1
16.	Disabled Facilities Grant Claim (DFG) – 2018/19	Substantial	0	0	0
17.	Redundancy and Severance Payments	Substantial	0	0	1
18.	Troubled Families Grant Claim (November 2019)	Substantial	0	0	0
19.	Troubled Families (December 2019)	Substantial	0	0	0
20.	Waste Disposal	Substantial	0	0	4
21.	Apprenticeships	Substantial	0	2	2
22.	The Brow Primary School	Substantial	0	0	3
23.	Sustainable Transport Enhancement Package (STEP) Grant – Q3 2019/20	Substantial	0	0	0
24.	Local Growth Fund (LGF) Grant - Silver Jubilee Bridge - Q3 2019/20	Substantial	0	0	0
25.	Syrian Vulnerable Persons Resettlement Scheme	Substantial	0	2	2

## Appendix A

# Summary of audit assignments

21 July 2020

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
26.	Troubled Families (February 2020)	Substantial	0	0	0
27.	Disabled Facilities Grants (Full System Audit)	Substantial	0	2	3
28.	Weston Point Primary School	Substantial	0	2	2
29.	Birchfield Nursery School	Substantial	0	0	4
30.	Direct Payments - Children with Disabilities	Adequate	0	3	1
31.	Highways Inspections and Repairs	Adequate	0	4	1
32.	De-linking of the Silver Jubilee Bridge – Grant Claim	Substantial	0	0	0
33.	Strategic Cycling and Walking Schemes Grant	Substantial	0	0	0
34.	Town Centre Fund Grant Claim – Halton Lea Quarter Four 2019/20	Substantial	0	0	0
35.	Sustainable Transport Enhancement Package (STEP) Grant – Q4 2019/20	Substantial	0	0	0
36.	Local Growth Fund (LGF) Grant - Silver Jubilee Bridge - Q4 2019/20	Substantial	0	0	0
37.	Troubled Families (May 2020)	Substantial	0	0	0
38.	Infection Control Fund - Tranche 1	Substantial	0	0	2
39.	St Gerard's Catholic Primary & Nursery School	Substantial	0	0	2
40.	Covid-19 Personal Protective Equipment	Substantial	0	2	1
41.	St. Martin's RC Primary School	Adequate	0	4	1
42.	Skills Capital Investment Fund – Q1 2020/21 Grant Claim	Substantial	0	0	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
1.	The Holy Spirit Catholic Primary School	Substantial	6	0	0	0
2.	Leisure Centres	Substantial	7	1	0	0
3.	Gypsy Traveller Sites	Substantial	7	1	0	0
4.	Property Insurance	Adequate	4	4	0	0
5.	Chesnut Lodge School	Substantial	6	0	0	0
6.	The Stadium	Adequate	7	4	0	0

## Appendix C: Assurance Level Definitions

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<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.	 <b>Limited</b>
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.	 <b>Adequate</b>
Effective procedures and controls in place to mitigate the key risks to the activities reviewed.	 <b>Substantial</b>

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