

# Internal Audit Annual Report 2023/24

Audit and Governance Board

26 June 2024



## Section One – Executive Summary

### Head of Internal Audit Opinion

Sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of the Council's governance, risk management and internal control environment. It should be noted that assurance can never be absolute and the most that the internal audit service can provide is reasonable assurance.

<b>Summary</b>	
<b>Opinion</b>	<p>The Internal Audit work carried out during the year provides reasonable assurance that the Council maintains an adequate system of governance, risk management and internal control, which is designed to support the delivery of the Council's objectives. The results of our work provide assurance that key controls are generally applied consistently.</p> <p>There has been positive engagement with management in agreeing actions where internal audit work has identified weaknesses in the design or application of controls. Action plans are in place to address all the issues identified through the work of internal audit.</p> <p>The results of the follow-up audits completed also provides assurance that the actions agreed in response to internal audit reports are implemented.</p>
<b>Basis of the Opinion</b>	<ul style="list-style-type: none"> <li>• Internal audit work completed since the 2022/23 Head of Internal Audit Opinion</li> <li>• Observations from advisory / consultancy type work</li> <li>• Follow-up of previous audit activity, including implementation of agreed actions</li> <li>• Any significant risks where management has not accepted the need for mitigating action</li> <li>• Consideration of whether any high priority issues identified in individual assignments are indicative of systemic weaknesses</li> <li>• The results of anti-fraud / investigatory work completed</li> <li>• Cumulative knowledge and experience of the organisation</li> </ul>
<b>Qualifications to the Opinion</b>	<p>It is however noted that key areas for development were identified by external assurance providers during 2023/24:</p> <ul style="list-style-type: none"> <li>• In the Auditor's Annual Report 2022/23 (reported in March 2024), external audit identified three significant weaknesses in the Council's arrangements for securing value for money (VFM). This resulted in three key recommendations relating to financial sustainability, governance, and improving economy, efficiency, and effectiveness.</li> <li>• The Area SEND inspection of Halton Local Area Partnership by the CQC / Ofsted (reported in March 2024) identified widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership needs to address urgently.</li> </ul> <p>These issues are further reported upon in the Council's 2023/24 Annual Governance Statement.</p>

## Section Two – Background

### 2.1 Introduction

In accordance with the Public Sector Internal Audit Standards (PSIAS), 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 Audit and Governance Board.

The standards require that the annual report provides:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment
- Details of any qualifications to that opinion, together with the reasons for the qualification
- A summary of the audit work from which the opinion is derived
- Details of any issues that the Head of Internal Audit considers particularly relevant to the preparation of the Annual Governance Statement
- A comparison of the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- A commentary on compliance with these standards and communicates the results of the internal audit quality assurance programme

### 2.2 Purpose of report

The purpose of this report is to satisfy the requirements of the PSIAS. It sets out how the Council's internal audit function has operated in accordance with the standards during the year. It also provides an annual internal audit opinion that can be used by the Council to inform its governance statement.

## Section Three – Internal Audit work completed

### 3.1 Coverage and output

Internal audit delivered 1,235 days of audit work during 2023/24 against the Audit Plan which budgeted for 1,225 days. The planned number of audit days delivered for the year was therefore exceeded.

As reported to the Audit and Governance Board throughout the year, changes to planned coverage were required as a result of some planned assignments taking longer to complete than anticipated. This resulted in seven planned audits from 2023/24 being deferred to 2024/25 with the agreement of the Board at its meeting on 20 March 2024.

Appendix 1 to this report provides a list of the audit reports issued, a summary of the audit assurance opinions provided, and the dates that summary copies of the reports were presented to the Audit and Governance Board. In total, 55 audit reports were issued during the year. A further three audits from the 2023/24 Audit Plan are also nearing completion (Children's Services Commissioning, Domiciliary Care, Microsoft 365 deployment). The work carried out during the year is considered sufficient and wide-ranging enough to support the annual audit opinion.

A significant number of grant certifications and verification audits were completed during the year. These audits are primarily intended to provide assurance to third party organisations that provide or distribute funding, including Government Departments and the Liverpool City Region Combined Authority. However, they also help to secure funding for the Council and, importantly, they also provide assurance over the Council's accounting, procurement, governance, accounts payable, and project management arrangements.

Comparative high-level information on audit coverage and outcomes is provided in the following table for the four preceding financial years. It shows that the number of audits completed, and the proportion of opinions across each assurance category, remain broadly consistent to previous years.

Financial Year	No. of Audit Days	Substantial Assurance Reports	Adequate Assurance Reports	Limited Assurance Reports	Total Reports issued
2023/24	1,235	52	2	1	55
2022/23	812	43	3	1	47
2021/22	1,063	48	7	2	57
2020/21	890	46	5	1	52
2019/20	684	36	6	0	42

## Section Three – Internal Audit work completed

### 3.2 Follow-up audit assignments

A critical part of an organisation's governance, risk management and internal control framework is management's responsiveness to addressing risks and issues identified through the work of Internal Audit. Timely and full implementation of agreed actions helps to demonstrate management's commitment to maintaining effective systems of control.

Six follow-up audits were completed during the year, and these are listed in Appendix 2. The follow-up process involves Internal Audit carrying out further work to determine the progress that management has made in implementing previously agreed actions. A follow-up audit report is then issued summarising the results of this work. Each follow-up audit provides a revised assurance opinion which is informed by the extent to which the risk management, control and governance processes of the area audited have improved since the original audit.

### 3.3 Issues relevant to the Annual Governance Statement

Where issues have been identified through internal audit work, management has responded positively. There are therefore no outstanding issues from the internal audit work completed in the year that have implications for the Annual Governance Statement.

## Section Four – Compliance with Professional Standards

### 4.1 Introduction

The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector
- Set basic principles for carrying out internal audit in the UK public sector
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning

Conformance with the core principles within PSIAS helps to provide assurance over the way in which the Council's internal audit function is delivered. In turn, this provides assurance over the quality of work completed in support of the overall annual opinion.

Internal audit services are required to have an external assessment against the standards every five years. The Council's most recent external assessment was completed towards the end of the 2023/24 financial year. We are still awaiting the final report, but the overall conclusion from the assessment is that the Council's internal audit arrangements substantially conform to the standards.

### 4.2 Purpose, Authority, and Responsibility of Internal Audit (PSIAS standard 1000)

The purpose, authority and responsibility of the Council's internal audit activity is formally defined in an internal audit charter, which forms part of the Council's Constitution. The charter sets out Internal Audit's position within the Council, including the nature of the reporting relationship with the Board. It also provides authority to access records, personnel, and physical properties relevant to the performance of audit engagements and defines the scope of internal audit activities.

The internal audit charter is subject to annual review as part of the Constitution review. No changes were made to the charter during 2023/24.

### 4.3 Limitations placed on the independence of internal audit (PSIAS standard 1100)

During 2023/24, 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 are however well-established and have previously been reported to and agreed by the Board. These arrangements have operated effectively throughout the year.

No audits were completed during 2023/24 that focused specifically on areas for which the Head of Internal Audit also has operational responsibility.

## Section Four – Compliance with Professional Standards

### 4.4 Proficiency and Due Professional Care (PSIAS standard 1200)

All audit engagements carried out during the year were completed with appropriate proficiency and due professional care. Work was allocated to auditors on the basis of the knowledge, skills and competencies needed to perform individual specific assignments. Appropriate support was provided to auditors to enable them to carry out their work effectively.

### 4.5 Quality Assurance and Improvement Programme (PSIAS standard 1300)

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 in operation during 2023/24 are described below:

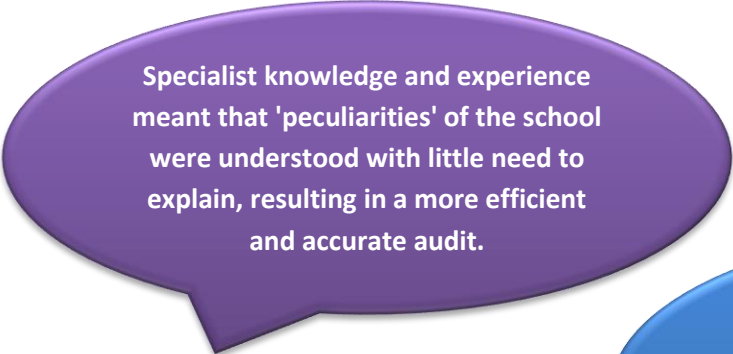
- The Internal Audit team is made up of appropriately trained and qualified staff with significant local government experience. The majority of the team are members of professional institutes, and all members of the team are required to comply with ethical rules, technical standards, and professional 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 Audit and Governance 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.
- Weekly team meetings take place to discuss progress and issues relating to the completion of audit engagements.
- 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 Audit Plan to the Audit and Governance 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.
- Structured support, mentoring, and supervision continues to be provided to three auditors who joined the team towards the end of 2022/23. This has assisted significantly with their induction and development. It has also helped to ensure that work is undertaken in accordance with professional standards.

## Section Four – Compliance with Professional Standards


Internal Audit invites feedback on the quality of service provided by issuing a 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 a valuable means of identifying aspects of the audit process that can be improved.

The feedback received from the surveys returned in the year was positive and there were no comments in the responses received that highlighted any particular areas for development.

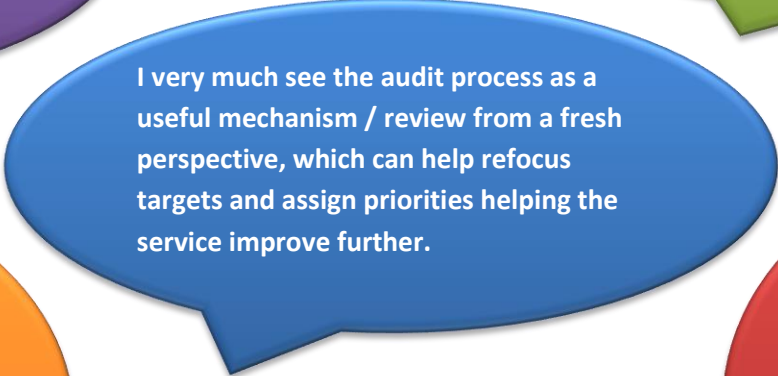
A sample of comments received in response to the questionnaires issued during 2023/24 is included below:



Specialist knowledge and experience meant that 'peculiarities' of the school were understood with little need to explain, resulting in a more efficient and accurate audit.



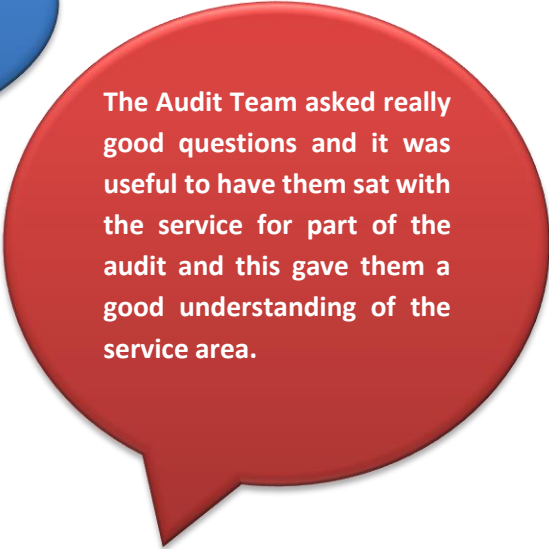
I found it very useful working with the auditor during this procurement - thank you.



I very much see the audit process as a useful mechanism / review from a fresh perspective, which can help refocus targets and assign priorities helping the service improve further.



I am very happy with the report itself and very pleased that we have been given a substantial rating. The auditors conducted themselves professionally and politely during the audit and it was a process done with us rather than to us, with lots of opportunity for dialogue.



The Audit Team asked really good questions and it was useful to have them sat with the service for part of the audit and this gave them a good understanding of the service area.



## Section Four – Compliance with Professional Standards

Key actions for 2024/25 to further develop the team's quality assurance arrangements are as follows:

- Report the results of the five-yearly external review of Internal Audit to the Audit and Governance Board and implement any agreed actions.
- Update the Internal Audit Manual - the purpose of the manual is to provide audit staff with a source of reference for general audit procedures and methodology.

### 4.6 Managing the Internal Audit Activity (PSIAS standard 2000)

In 2023/24 Internal Audit worked to an annual risk-based audit plan that was developed following consultation with senior management and the Audit and Governance Board. The plan took account of the Council's strategies, key business objectives, associated risks, and risk management processes. The 2023/24 Audit Plan was formally approved by the Audit and Governance Board in March 2023.

Regular reports are presented to senior management and the Audit and Governance Board on Internal Audit team's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. The progress reports presented to the Board throughout 2023/24 highlighted any significant risk and control issues, fraud risks, governance issues, and other matters that require the attention of senior management and/or the Board.

### 4.7 Nature of Work (PSIAS standard 2100)

Internal audit employs a systematic, disciplined, and risk-based approach to its work, which contributes to the ongoing maintenance and development of the Council's governance, risk management, and control processes. This is delivered by the identification of issues and performance improvement opportunities when completing audit assignments, contributions to internal working groups, and the ongoing provision of advice.

### 4.8 Engagement Planning (PSIAS standard 2200)

The Internal Audit team develops and documents a plan for each engagement (other than for grant claim audits) in a terms of reference. This is produced with the input of management, and it sets out the engagement's objectives, scope, timing, and resource allocations. All assignments take account of the Council's strategies, objectives, and risk management arrangements relevant to the engagement. Each assignment also takes account of value for money considerations that are relevant to the area audited.

### 4.9 Performing the Engagement (PSIAS standard 2300)

Robust planning, monitoring and review arrangements operated throughout 2023/24 to ensure that an appropriate level of work is undertaken in each engagement in order to achieve the engagement's objectives. Procedures include management sign off for each terms of reference, daily updates on progress with assignments, detailed file review, and management review of draft and final audit reports.

## Section Four – Compliance with Professional Standards

All audit working papers are stored in an audit management database, which provides full evidence of management review. Working papers are completed in sufficient detail to substantiate any issues that are highlighted in audit reports.




### 4.10 Communicating Results (PSIAS standard 2400)

Results of all audit engagements are communicated as appropriate. The Council's Chief Executive and Finance Director receive full copies of all audit reports. The relevant Executive Director, Director, Head of Service, and other managers, as appropriate, also receive full copies of reports.

The Audit and Governance Board receives summary copies of each report completed in the regular progress reports to the Board. Significant issues identified through audit work are also highlighted to the Board.

In each audit report, an overall assurance level is provided on the area audited. This is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the governance, risk management and internal control processes in the area audited.

The range of assurance levels in internal audit reports is set out in the following table:

 <b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
 <b>Adequate</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
 <b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

An overall annual internal audit opinion is also delivered. This is informed by the work completed by Internal Audit during the year and is used by the Council to inform its Annual Governance Statement. The annual internal audit opinion provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control processes and forms part of this annual report.

### 4.11 Monitoring Progress (PSIAS standard 2500)

Internal Audit has established a follow-up process to monitor and ensure that management actions have been implemented effectively or that senior management has accepted the risk of not taking action. A full follow up audit is completed for all audits that do not receive

## Section Four – Compliance with Professional Standards

a 'substantial assurance' opinion. The results of the 'follow-up' audits are reported to the Audit and Governance Board through the regular system of progress reporting.

### 4.12 Communicating the Acceptance of Risks (PSIAS standard 2600)

In the event that management accepts a level of risk that Internal Audit considers may be unacceptable to the Council, the issue would be raised appropriately with senior management and brought to the attention of the Audit and Governance Board if the matter is not resolved satisfactorily. However, no such issues arose in the course of 2023/24.

## Appendix 1 – Internal Audit assignments completed in 2023/24

The following audit assignments were completed during the year and support the overall opinion:

	Assignment	Presented to Audit & Governance Board	Assurance Level
1.	Saints Peter & Paul Catholic High School	27 September 2023	●
2.	Agresso Access Controls	27 September 2023	●
3.	Electric Vehicle Charging Points	27 September 2023	●
4.	Concessionary Travel	27 September 2023	●
5.	St Martin's Primary School	27 September 2023	●
6.	St Mary's C of E Primary School	27 September 2023	●
7.	Runcorn Busway Active Travel Corridor - Q1 2023/24	27 September 2023	●
8.	Local Cycling and Walking Infrastructure Plan - Q1 2023/24	27 September 2023	●
9.	East Runcorn Connectivity - Q1 2023/24	27 September 2023	●
10.	Household Support Fund - Q1 2023/24	27 September 2023	●
11.	Supporting Families - July 2023 Grant Claim	27 September 2023	●
12.	LCR - Brownfield Housing – Foundry Lane – Q1 2023/24	27 September 2023	●
13.	Runcorn Waterfront Development - Q1 2023/24	27 September 2023	●
14.	UK Shared Prosperity Fund - Q1 2023/24	27 September 2023	●
15.	Changing Places Fund 2022/23	22 November 2023	●
16.	Runcorn Busway Active Travel Corridor - 2023/24 Q2	22 November 2023	●
17.	Alternative Fuel Payment Scheme 2023-24	22 November 2023	●
18.	Energy Bills Support Scheme Alternative Funding - 2023/24	22 November 2023	●
19.	Household Support Fund - 2023/24	22 November 2023	●
20.	CRSTS - City Region Sustainable Travel Settlement - 2023/24 Q2	22 November 2023	●
21.	Runcorn Station Quarter (Phase 2) - 2023/24 Q2	22 November 2023	●
22.	Local Cycling and Walking Infrastructure Plan - 2023/24 Q2	22 November 2023	●
23.	East Runcorn Connectivity - 2023/24 Q2	22 November 2023	●
24.	LCR - Brownfield Housing – Foundry Lane – 2023/24 Q2	22 November 2023	●
25.	UK Shared Prosperity Fund - 2023/24 Q2	22 November 2023	●

## Appendix 1 – Internal Audit assignments completed in 2023/24

Assignment		Presented to Audit & Governance Board	Assurance Level
26.	Disabled Facilities Grant Claim – 2022/23	22 November 2023	●
27.	Development Control	22 November 2023	●
28.	Brookvale Primary School	20 March 2024	●
29.	Chesnut Lodge School & Specialist SEN College	20 March 2024	●
30.	Supporting Families – November 2023 Grant Claim	20 March 2024	●
31.	Supporting Families – December 2023 Grant Claim	20 March 2024	●
32.	Local Authority Bus Subsidy (Revenue) Grant 2022/23	20 March 2024	●
33.	Runcorn Busway Active Travel Corridor – 2023/24 Q3	20 March 2024	●
34.	CRSTS – City Region Sustainable Travel Settlement – 2023/24 Q3	20 March 2024	●
35.	CRSTS – Local Cycling & Walking Infrastructure Plan – 2023/24 Q3	20 March 2024	●
36.	Runcorn Waterfront Development – 2023/24 Q3	20 March 2024	●
37.	East Runcorn Connectivity – 2023/24 Q3	20 March 2024	●
38.	Ways to Work – Q3 2023/24	20 March 2024	●
39.	Household Support Fund – 2023/24 Q3	20 March 2024	●
40.	St. Basil's Catholic Primary School	20 March 2024	●
41.	UK Shared Prosperity Fund – 2023/24 Q3	20 March 2024	●
42.	Oakfield Primary School	20 March 2024	●
43.	Halton Leisure Centre Development	20 March 2024	●
44.	Social supermarkets	26 June 2024	●
45.	Cemeteries & Crematoria	26 June 2024	●
46.	Supporting Families - March 2024 Grant Claim	26 June 2024	●
47.	Household Support Fund	26 June 2024	●
48.	UK Shared Prosperity Fund - 2022/23 Q4	26 June 2024	●
49.	Local Cycling and Walking Infrastructure Plan - 2023/24 Q4	26 June 2024	●
50.	City Region Sustainable Travel Settlement - 2023/24 Q4	26 June 2024	●
51.	Ways to Work - 2023/24 Q4	26 June 2024	●

## Appendix 1 – Internal Audit assignments completed in 2023/24

	Assignment	Presented to Audit & Governance Board	Assurance Level
52.	Kingsway Quarter Development	26 June 2024	●
53.	Place Based Business Support Grant - UKSPF 2023/24 Q4	26 June 2024	●
54.	Runcorn Waterfront Development - 2023/24 Q4	26 June 2024	●
55.	Key Route Network Levelling Up - Grant Claim 2023-24	26 June 2024	●

## Appendix 2 – Follow-up work completed in 2023/24

In order for the Council to derive maximum benefit from the work of Internal Audit, agreed actions should be implemented. In accordance with the Internal Audit Plan, we follow up all audits that do not receive a 'substantial' audit opinion. This process involves carrying out work to determine the progress that management has made in implementing actions previously agreed. A follow-up audit report is then issued summarising the results of this work.

Each follow-up audit provides a revised 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 2023/24.

Assignment		Presented to Audit & Governance Board	Assurance Level
1.	St Clement's Catholic Primary School	27 September 2023	●
2.	Pewithall Primary School	27 September 2023	●
3.	School Meals Service	27 September 2023	●
4.	Delinking of SJB	27 September 2023	●
5.	Remote Access Management	22 November 2023	●
6.	St. Martin's Catholic Primary School	20 March 2024	●