

Annual Report and Opinion of the Chief Internal Auditor 2020/21

Audit and Governance Committee
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1. Executive Summary

- 1.1 The Chief Internal Auditor is obliged, under the Public Sector Internal Audit Standards (PSIAS), to provide an annual report summarising the work undertaken by internal audit during the financial year just closed, and to provide an overall opinion of the overall adequacy and effectiveness of the organisation's framework of governance, derived from this work.
- 1.2 The COVID-19 pandemic has had a significant impact on all service areas of the Council including Audit and Risk. As a result there have been changes to the content of the 2020/21 Internal Audit Plan during the year to accommodate the need to work differently, to address new and emerging risks as well as for planned internal audits to be deferred due to services needing to prioritise their resources towards the Pandemic response. Work has as a result been focused on the pandemic response primarily.
- 1.3 Revised guidance from CIPFA has been provided to Heads of Internal Audit in November 2020 which recognised that public service bodies were struggling with considerable challenges and having to make difficult decisions on how best to use their staff and financial resources to meet critical needs; whilst also meeting the professional and regulatory expectations including the need for internal audit arrangements conform with PSIAS. The guidance for Heads of Internal Audit and those charged with governance on the factors they would need to consider in issuing an annual audit opinion.
- 1.4 Reflecting the guidance additional action has been taken to provide an opinion which include:
 - Assurance mapping exercise
 - Awareness of corporate developments and actions being taken to manage risk and maintain good governance through internal (line two) assurance sources such as finance, HR&OD, estates, health and safety and ICT.
 - Awareness and direct involvement in Covid19 response and recovery activities.
 - Review of the key assurances from Executive, Scrutiny Committee, Strategic Management Team and Directorate Leadership Team reports including business plans, risk register updates, performance reports and financial reports.
- 1.5 In respect of 2020/21, 48 audits were completed in total. The overall audit opinions given in these reports can be summarised as:

Organisational Risk Opinion	Number of audits
MAJOR	4
MODERATE	12
MINOR	4
NEGLIGIBLE	0
ASSURANCE PROVIDED	28

1.6 Based upon the work undertaken by Internal Audit in respect of 2020/21, the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is:

Overall Opinion 2020/21	ADEQUATE
Potential for Improvement	ADEQUATE

2. Introduction

- 2.1 In accordance with the Accounts and Audit Regulations 2015, the Council must ensure that it provides adequate and effective internal audit arrangements in respect of its accounting records and systems of internal control, and that it conducts an annual review of the effectiveness of these. In addition, these arrangements must be delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), which came into effect on 1 April 2013 (and were revised 1 April 2016 and 1 April 2017).
- 2.2 The PSIAS represent mandatory best practice for all public sector internal audit service providers in the UK and cover:
- Definition of Internal Auditing
 - Code of Ethics
 - International Standards for the Professional Practice of Internal Auditing.
- 2.3 It is a requirement of the PSIAS that the Head of Internal Audit provides an annual report to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This report informs the Council's Annual Governance Statement.
- 2.4 Further to the 2016 revision to the PSIAS, Internal Audit has adopted the following mission statement:
"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."
- 2.5 The COVID-19 pandemic has had a significant impact on all service areas of the Council including Audit and Risk. As a result there have been changes to the content of the 2020/21 Internal Audit Plan during the year to accommodate the need to work differently, to address new and emerging risks as well as for planned internal audits to be deferred due to services needing to prioritise their resources towards the Pandemic response. Work has as a result been focused on the pandemic response primarily.
- 2.6 For internal auditors it has raised the question of whether they we would be able to undertake sufficient internal audit work to produce a reliable independent assurance assessment due to the impact of Covid-19. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive (Head of Internal Audit) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is also one of the many sources of assurance that informs the Annual Governance Statement.
- 2.7 The Chartered Institute of Public Finance and Accountancy (CIPFA) recognised in November 2020 that public service bodies were struggling with considerable challenges and having to make difficult decisions on how best to use their staff and financial resources to meet critical needs; whilst also meeting the professional and regulatory expectations including the need for internal audit

arrangements conform with PSIAS. In response to this challenge CIPFA issued guidance for Chief Audit Executives and those charged with governance on the factors they would need to consider in issuing an annual audit opinion. Possible options that were suggested included:

- not providing an opinion for 2020/21;
- providing an opinion but confirming that the scope was limited to the outcome of audit work completed or particular aspects of governance risk management or internal control;
- providing an opinion explaining in more detail the other sources of assurance taken into account in reaching the opinion; or
- providing a standard annual opinion.

2.8 This guidance has been discussed in professional network groups for example the CIPFA North West Heads of Audit Group and the Merseyside Head of Internal Audit Group. The feedback from the meetings has been that it was still possible to provide an opinion explaining in more detail the other sources of assurance taken into account in reaching the opinion. It was also acknowledged that this was not a robust basis for future audit practice and that a resumption of planned audit work was essential to raise and maintain organisation standards of good governance, risk management and internal control.

2.9 In arriving at this opinion, this report sets out:

- A summary of the Internal Audit work undertaken during 2020/21
- A summary of the performance of Internal Audit during the year
- A review of Internal Audit's compliance with the Public Sector Internal Audit Standards (PSIAS)
- A summary of the Quality Assurance and Improvement Programme (QAIP) established during the year
- The overall Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in 2020/21
- A look ahead to the Internal Audit Plan 2021/22.

2.10 To reflect the reduction in the breadth of audit activity during the year the following additional sources of assurance have been considered to develop the Annual Audit Opinion.

- Sefton Assurance Map has been developed to identify key external sources of assurance on the Council's activities. This will be further developed in future years to determine a weighting as well as shape the audit plan.
- Awareness of corporate developments and actions being taken to manage risk and maintain good governance through internal (line two) assurance sources such as finance, HR&OD, estates, health and safety and ICT.
- Awareness and direct involvement in Covid19 response and recovery activities.
- Review of the key assurances from Executive, Scrutiny Committee, Strategic Management Team and Directorate Leadership Team reports including business plans, risk register updates, performance reports and financial reports.

2.11 It is confirmed that there was no impairment to internal audit objectivity during 2020/21.

3. Summary of Work Completed

Background

- 3.1 The Internal Audit Plan 2020/21 was approved by the Audit and Governance Committee on 16 September 2020, later than usual due to the impact of Covid-19. A report providing an update on the delivery of the plan, performance indicators and detailing key recommendations, was presented to each meeting of the Committee during the year.
- 3.2 Where Internal Audit undertakes work which primarily contributes to the assurance opinion on the Council's framework of governance, risk management and internal control, the audit report includes an "organisational risk opinion" which highlights the level of risk to the organisation presented by the risks identified in the audit:

Audit Opinion	Explanation
MAJOR	There is a major risk presented to the Council by the risks identified in the review.
MODERATE	There is a moderate risk presented to the Council by the risks identified in the review.
MINOR	There is a minor risk presented to the Council by the risks identified in the review.
NEGLIGIBLE	There were no risks identified during the review.

- 3.3 Recommendations made within audit reports are graded as "high", "medium" or "low". All recommendations of high priority are detailed in full in the quarterly report to the Audit and Governance Committee.
- 3.4 In addition, Internal Audit provides consultancy / advisory support in response to specific requests from management, which contributes to improving the Council's governance, risk management and internal control arrangements. Such work can include advice and guidance around the implementation of new systems and procedures and auditing grant claims and returns. Such pieces of work are not usually given an audit opinion but do inform the overall annual opinion. These are listed below in the "assurance provided" category.

Delivery

- 3.5 During 2020/21, 48 pieces of internal audit work were completed.
- 3.6 The audit opinions given during the year were (those shown in italics are at draft stage – completed Action Plans are awaited from clients):

Table 1 List of Audits undertaken and the Audit Opinions

Organisational Risk Opinion	Audit Title
MAJOR	<ul style="list-style-type: none"> Ethics and Code of Conduct
MODERATE	<ul style="list-style-type: none"> Annual Governance Review (2019/20) COVID-19 Business Support Grants <i>Framework for Change 2023 – Estates and Asset Disposals</i> (draft)
MINOR	<ul style="list-style-type: none"> Council Tax
NEGLIGIBLE	<ul style="list-style-type: none"> N/A
ASSURANCE PROVIDED	<ul style="list-style-type: none"> Payroll Memorandum Whistleblowing – follow-up Melling Primary School – follow-up Corporate Governance Review 2019/20 – Follow-up. Locality Services Procurement and Employee Conduct reviews x 2 Locality Services Procurement and Employee Conduct appeal support Assurance Mapping Audit and Governance Terms of Reference Review Independent Examiners Report on the Accounts of the Mayor's Charity Fund Teaching Schools 2019-20 – Annual Independent Accountant's Report for; <ul style="list-style-type: none"> Great Crosby Catholic Primary School St. Nicholas CoE Primary School Assurance of Combined Authority Grants to facilitate certification <ul style="list-style-type: none"> Acquisitions and disposals – Bootle Town Centre x 4 quarters M58 Junction 1 Improvements Key Route Network, Urban Traffic Control x 4 quarters Sustainable Transport Enhancements Package x 4 quarters A59 Dover Road Junction Improvements x 4 quarters Sefton Town Centres (Bootle and Southport) Grant Certification

Organisational Risk Opinion	Audit Title
	<ul style="list-style-type: none"> • Crosby Lakeside Grant Certification <p>Assurance of Government Grants to facilitate certification Government Grants</p> <ul style="list-style-type: none"> • Local Transport Revenue Block Funding (Blue Badge) 2019-20 • Troubled Families Grants x 5 periods • Integrated Transport and Highway Maintenance Capital Grants 2019/20 (assurance to CA) • Highways Maintenance Incentive Fund • Covid-19 Business Grants Assurance Reports Co-ordination of returns x 6

3.7 The delivery of the audit plan has been affected by resourcing issues which have arisen partly as a result of Covid-19.

- There were plans for the recruitment for the post of Trainee ICT Auditor and CIPFA Finance Trainee on secondment which were included in the audit plan. Although we have been able to recruit for the Trainee ICT Auditor (April 2020) we have not been able to carry out some of the training and joint working we would like to do both as it would normally involve face to face discussions but also the work areas themselves have been working differently during the year. The recruitment exercise for the CIPFA Finance Trainee was suspended during Covid-19 and did not take place.
- Two full-time internal audit staff spent significant time completing Locality Services Procurement and Employee Conduct Reviews during the financial year which detracted from completion of other planned assurance work.
- A member of the Audit Team has been absent on unplanned leave for the second half of the year which has further impacted on the team's capacity to complete planned audit work. Recruitment exercises were undertaken to alleviate the impact of the staff absence during the latter part of the year, but no appointments were made due to Covid-19 impacting on the quantity of suitable candidates.
- The Trainee ICT Auditor started maternity leave in February 2021.

3.8 As indicated above, sickness absence has had a significant impact during the year with 107.5 days lost due to sickness which compares unfavourably to six days lost in 2019/20 and 26 days lost in 2018/19. Any lost time has an impact on the ability to deliver the Internal Audit Plan, and sickness absence continues to be monitored and managed robustly in accordance with the Council's Absence Management Procedures.

3.9 Covid-19 has also impacted on the delivery of audit work in reducing Officers' capacity to respond quickly during the pandemic due to the scale of the issue. Internal Audit have flexibly provided additional support where required for example in assisting the Heads' of Service and Executive Directors prepare written Governance Assurance Statements for the 2019/20 Annual Governance Statement. Covid-19 has placed significant pressures on many Council services restricting the range of services able to

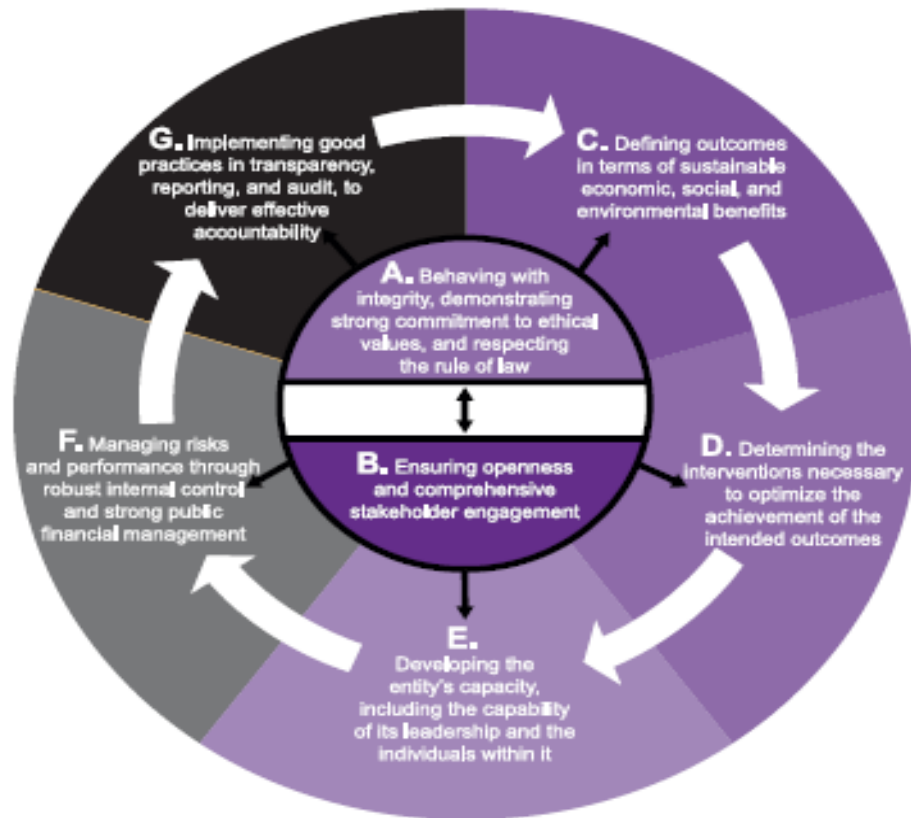
accommodate an audit due to the pressing needs of the Service responding to the pandemic e.g. social care, revenues and benefits, schools etc.

- 3.10 During the year, we were mindful of challenges and risks faced by services within the Council and took a pragmatic approach to audit assignments in the approved Audit Plan. For example, support was given to the teams responsible for the delivery of the numerous Covid-19 grants to individuals and businesses across the Borough. This included assistance in the design of controls as well as ensuring that government guidance was followed in areas such as completion of fraud risk assessments and post assurance plans.
- 3.11 The impact of Covid-19 during 2020/21 has been significant as work in the proposed plan has been postponed due to operational pressures on teams as well as audits added to reflect Government initiatives.
- 3.12 Although whilst writing the report the National Government Covid-19 restrictions have been lifted there remains some uncertainty as how Covid-19 will impact over the next six months to the Council. The Internal Audit Team will continue with the pragmatic approach of focusing its work on a dynamic basis where new and emerging risks arise as well as its core assurance programme. As a result, it is likely that the internal audit plan will be reviewed on a regular basis and brought back for Member's approval where required.

Corporate Governance

- 3.13 During the year, internal audit conducted a full review of the Council's corporate governance arrangements. This has followed the mandatory CIPFA/SOLACE guidance "Delivering Good Governance in Local Government" (2016), to inform the Council's Annual Governance Statement (AGS) 2020/21 and ensure that the content of the AGS is fully evidenced.
- 3.14 The work covers the prescribed areas of governance as defined in the guidance and has sought to engage with all senior officers in gaining assurance that there is a comprehensive and effective system of governance in place. This has comprised:
 - Review of all governance areas detailed under the relevant Core Principles in the guidance:

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



- Review of progress in respect of the Significant Governance Issues identified in the 2019/20 AGS, and identification of emerging Significant Governance Issues
- Review of all Governance Assurance Statements (GAS) completed by the Strategic Leadership Board (SLB) comprising the Chief Executive, Executive Directors, Heads of Service and the Council's Monitoring Officer. The GASs are based on the seven principles of Corporate Governance laid out in the CIPFA/SOLACE framework.
- Engagement with Heads of Service.

3.15 The overall audit opinion for the work was that it presents an organisational risk of "Moderate". There are a number of key findings emanating from the work, and five of these will feature in the Annual Governance Statement as "Significant Governance Issues". These issues have been highlighted by the Council during the financial year and there has been a corresponding focus by management to ensure that the areas are considered and consistently managed. These relate to:

Significant Governance Issue 1

COVID-19 has resulted in changing priorities and demands on the Council's services and rapid responses that have included support and financial assistance for residents and local businesses and the need to respond to emerging and changing local, regional and national guidance from National Government. There have been changes to business continuity, business planning, business models and increased risk assessments as a result of the pandemic with changes in decision making arrangements, and virtual meetings. Home working has also increased.

Significant Governance Issue 2

To support financial sustainability, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Financial Management (FM) Code which aims to ensure a high standard of financial management in local authorities. The FM Code was launched in November 2019 and authorities were advised that they should introduce this in the 'shadow year' in 2020/21 prior to full implementation in 2021/22.

A key goal of the FM Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of COVID-19 has tested that financial resilience in 2020/21 and will continue to do so in coming years. There are clear links between the FM Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes.

For these reasons, the AGS for 2020/21 should include the overall conclusion of an assessment of the organisation's compliance with the principles of the FM Code. The Code is based on establishing Principles of Good Financial Management with these being translated into financial management standards. Each local authority has to then detail how it meets these standards through self-assessment. This was provided to Audit and Governance Committee earlier in the financial year, and what improvements are required in order to ensure compliance. The report to Audit and Governance Committee indicated that the work remained on track.

Significant Governance Issue 3

Sefton Council declared a 'Climate Emergency' on 18 July 2019 and work has progressed within the Council on the agreed actions that were contained and approved by Members. The Climate Emergency Strategy and associated Action Plan was approved by Cabinet on 28 May 2020 and by Council on 17 September 2020.

The Strategy and delivery are via an Action Plan for the period to 2030 and will establish and refine a baseline position on the Council's carbon emissions (carbon footprint) with the development of three-year implementation plans to make the Council's activities net-zero carbon by 2030.

Significant Governance Issue 4

On 11 February 2021, the Government published a White Paper 'Integration and Innovation: Working Together to Improve Health and Social Care' - Department of Health and Social Care (DHSC), 2021, setting out a raft of proposed reforms to health and care. This was accompanied by an NHS England (NHSE), 2021 publication - 'Legislating for Integrated Care Systems'.

The DHSC recognise that there is a critical role for local Councils to work with health partners in this integration. Integrated Care Partnerships (ICPs) build on existing services and enable greater provision of proactive, personalised, coordinated and more integrated health and social care for people close to home. This should achieve a change from reactively providing care to proactively caring for people and communities.

Significant Governance Issue 5

There were three SGIs in the Council's 2019/20 Annual Governance Statement relating to inspections as follows:

- A Joint Targeted Area Inspection (JTAI) for Children's Mental Health in Sefton took place in September 2019;
- An Ofsted and Care Quality Commission (CQC) revisit in April 2019 relating to weaknesses in the Written Statement of Action (WSOA), and
- Sefton was overdue an Ofsted Inspection of Local Authority Children's Services. Following a pause in the inspection framework due to COVID-19, Ofsted undertook a 'restart' focused visit of Children's Social Care in March 2021. This was not a full inspection and therefore was not graded. A letter to the Council was published on the Ofsted website on 10 May 2021 with the visit's findings and identification of priority action.

Areas for priority action in the letter included:

- Timely application of the pre-proceedings stage of the Public Law Outline where risks for children are not reducing through child protection planning, and
- The effectiveness of case supervision and the monitoring of children who are subject to child protection planning, including those children in the pre-proceedings process, to prevent drift and delay.

What needs to improve in this area of social work practice:

- The quality assurance arrangements and senior management oversight of social work practice;
- The strategic and operational focus on achieving change and reducing risk for vulnerable children, including disabled children and care leavers, and
- The capacity in social work teams and the number of children on social workers' caseloads.

- 3.16 The review of corporate governance arrangements also generated a number of other findings, not significant enough in nature to warrant inclusion in the AGS at this stage, but which will require action by senior managers to ensure that the relevant risks are addressed. Agreement of senior managers has been obtained that they will implement the recommendations highlighted within the next year.

Risk Management

- 3.17 So that the Council is best placed to deliver its 2030 Vision and Framework for Change, it is vital that it has robust and effective arrangements for managing risk. This is particularly pertinent as the Council undergoes an ambitious programme of change, and the Council's appetite for risk is likely to increase, that a coherent framework is in place so as to ensure that such risks are taken in a conscious and managed way.

- 3.18 During the year there has been a sustained activity to attempt to improve the embedding of risk management within the Council. The Internal Audit and Risk Team have facilitated the completion of outstanding Service and Operational Risk Registers across the Council working closely with management teams. The improvements have included:
- The revision of the Corporate Risk Management Handbook which was approved by the Audit and Governance Committee in December 2020
 - All Service areas have a Service Risk register in place
 - All operational areas within the Service departments now have a Operational Risk Register in place
 - A presentation since December 2020 at the Audit and Governance Committee on one of the risks from the Corporate Risk Register
- 3.19 There was noted in March 2021 Corporate Risk Management paper an improvement in embedding risk management however following the start of the 2021/22 financial year there has been a noticeable deterioration in engagement on completing the Corporate Risk Register as well as providing updated Service Risk Registers. Key action has been agreed with Strategic Leadership Board to address this and there is on-going quarterly monitoring for both the SLB and the Audit and Governance Committee. Current performance on embedding risk management in August 2021 remains sub-optimal and may impact on the scoring of the opinion for the 2021/22 financial year.
- 3.20 The ongoing development of this framework was a key area of focus for the Council during 2020/21. It is important that during 2021/22, corporate risk management continues to develop and embed. The continued engagement of Senior Management as highlighted above will be vital so as to ensure success. One key area of improvement is the setting out and defining a risk appetite statement for the Council which is due to be completed in Autumn 2021.
- 3.21 The Risk and Audit Service has provided significant support to the Council in establishing consistent and coherent systems of risk management, by directly providing, or facilitating (through the Council's insurers) accredited training in risk management, and by facilitating risk sessions with Departmental Management Teams. Operational safeguards have been put in place to ensure that there is no impairment to the independence of the Chief Internal Auditor, who also has management responsibility for the Risk Management framework.

Internal Control

- 3.22 Of the 50 pieces of audit work completed during the year, 5 generated an audit opinion. Of these, no audits, were given opinions of "Negligible" organisational risk. There are a number of key points to highlight:

There was one audit during the year with a "Major" Organisational Risk Opinion

Ethics and Code of Conduct

- 3.23 Recommendations were made to improve the controls in regard to Ethics and Code of Conduct across the Council, including updating the Code of Conduct and guidance notes, ensuring consistency between the versions available, improving Member and Officer awareness of the Codes, standardising the recording and retention of Officers' Declaration Forms, updating the Audit and Governance Committee's Terms of Reference and publishing an Annual Modern Slavery Statement online.
- 3.24 Follow up audits completed show, on the whole, a positive picture in terms of the implementation of recommendations.

Counter-Fraud

- 3.25 The Council's "Anti-Fraud, Bribery and Corruption Policy" outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.
- 3.26 Internal Audit has a number of responsibilities in the prevention and detection of fraud, bribery and corruption:
- Co-ordination of the Council's work on the National Fraud Initiative (NFI)
 - Compilation of the Council's return to the CIPFA Counter Fraud Tracker, which compares fraud detection levels with peers
 - Investigation of referrals of suspected fraud and irregularity
- 3.27 The Policy states that the Chief Internal Auditor must be notified of any suspected fraud or irregularity. Four frauds or irregularities were notified during the financial year of which three were minor and one is currently being investigated.

Assurance Mapping

- 3.28 As the COVID-19 pandemic has unfolded and there have been significant impacts on all service areas of the Council including Audit and Risk we have altered the plan on a dynamic basis to reflect address new and emerging risks as well as for planned internal audits to be deferred due to services needing to prioritise their resources towards the Pandemic response. Work has as a result been focused on the pandemic response primarily.
- 3.29 For internal auditors it has raised the question of whether they we would be able to undertake sufficient internal audit work to produce a reliable independent assurance assessment due to the impact of Covid-19. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive (Head of Internal Audit) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is also one of the many sources of assurance that informs the Annual Governance Statement.

- 3.30 The External Validation of the Internal Audit Service undertaken by CIPFA in 2018 suggested that the Internal Audit Team “consider undertaking an assurance mapping exercise to identify the sources of assurance that the Council can place reliance on.”
- 3.31 The approach undertaken has been to identify further sources of assurance, through assurance mapping, that can inform the Chief Internal Auditor’s Annual Opinion and in future to inform the Annual Internal Audit Plan. The exercise was undertaken in Q3/Q4 2020/21 and involved identifying for each service area sources of external assurance.
- 3.32 Areas will be assessed over a three-year window, with a starting point of 1st April 2018 as this reflects the reality that external assurance can often occur over a range of different timescales and the outcomes are still valid to the next review. The table below outlines some of the key external assurance that has been identified and used in the Opinion.

Table 1 List of External Assurance by Service Area identified during Assurance Mapping Exercise

Corporate Resources		Strategic Support	
Public Sector Network	August 2020	Annual Letter from Local Government and Social Care Ombudsmen on Complaints	August 2021 (previous financial year)
Internal Infrastructure, Build Review and MDM Security Assessment	August 2020	Outcome of Freedom of Information/ subject access requests complaints referred to ICO	April 2020
External Penetration Test & Firewall Reviews	August 2020	Investigatory Powers Commissioner’s Office	March 2020
Cyber Essentials	March 2021	Education Excellence	
Annual Review of Financial Accounts	September 2021	Ofsted School reports	From 1 st April 2020 to 31 st March 2021
Customer Service Excellence (Transactional HR)	December 2019	Children’s Services	
Article 125 OTSV conducted by Ministry of Housing Communities Local Government	December 2020	An Ofsted and Care Quality Commission (CQC) revisit in April 2019 relating to weaknesses in the Written Statement of Action (WSOA),	April 2019
		follow up visit was undertaken by DfE and CQC	December 2020

Economic Growth and Housing		Joint Targeted Area inspection Children's Emotional Health and Wellbeing	September 2019
Employment & Learning (Community Learning)	November 2020	Ofsted Focused visit of child centred practices during Covid-19 pandemic.	March 2021
Building Control	September 2020	External Scrutiny of cases	September 2020
Highways and Public Health		Operational In-House Services	
Environmental Health and Licensing	September 2019	Electrical Testing NICEIC	December 2019
Communities		MOT Garage DVSA Standards for testing station	April 2020
YOT and Children with Disabilities	January 2021	Environment Agency License, permits and checks at Formby Depot.	April 2020
HMIP (Her Majesty's Inspectorate of Probation)	May 2019	Security Services NSI - Surveillance Audits	November 2020
Ofsted – Aiming High and Springbrook	May 2020	Security Services National Security Inspectorate (NSI)	November 2020
Ofsted – Early Help	September 2019	Higher Level Stewardship – Natural England	April 2020
Troubled Families	June 2019	BPS Audit Rural Payments Agency	April 2020
		Burials and Cremations Southport crematorium Chimney – Emissions	March 2019

3.33 The assurance mapping exercise is the first step in an approach to refine the information for use in the 2021/22 annual audit plan as well as in future years to provide more information in the Annual Opinion on the external assessments as well as assign a weighting to the relative importance of each of the external assurance.

4. Performance

4.1 During the year, the service measured and reported on a comprehensive suite of performance indicators, which give a view not only of the effectiveness of the internal audit function itself, and the quality of service, but also the impact the service is having in terms of recommendations agreed. The results for each of the performance indicators have been reported to each of the Audit and Governance Committees. The year-end position in respect of these performance indicators (and the comparative position with 2016/17 and 2017/ 18 actuals) is:

Description and Purpose	Target	Actual 2018/19	Actual 2019/20	Actual 2020/21	Variance and Explanation
<p>Percentage of the Internal Audit Plan completed This measures the extent to which the Internal Audit Plan agreed by this Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council's systems.</p>	100%	62%	84%	63%	<ul style="list-style-type: none"> • Significant time spent on Locality Services Procurement and Employee Conduct Reviews. • Sickness absence. • COVID impact on recruitment of one trainee and ability to train a trainee. • Focus on supporting Service Areas e.g. COVID-19 grants; additional support in 2019/20 AGS. • Capacity of Service Areas to be audited.
<p>Percentage of Client Survey responses indicating a "very good" or "good" opinion This measures the feedback received on the service provided and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.</p>	100%	100%	100%	100%	<ul style="list-style-type: none"> • Not applicable
<p>Percentage of recommendations made in the period which have been agreed to by management This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.</p>	100%	100%	100%	100%	<ul style="list-style-type: none"> • Not applicable

4.2 The performance outlined above is mixed with the quality aspects of the performance remaining very good with clients valuing our work and opinion which is comparable to the long-term trend. The delivery of the audit plan is lower than planned due to reasons summarised in the table above and detailed in paragraphs 3.7 to 3.11 of this report.

5. Public Sector Internal Audit Standards (PSIAS)

External Peer Assessment

- 5.1 During the 2017/18 financial year, the service was the subject of an external peer assessment, conducted by CIPFA, of the extent to which the service complies with the mandatory framework for Internal Audit in the UK Public Sector: Public Sector Internal Audit Standards (PSIAS). The PSIAS determine that this must take place every five years.
- 5.2 Whilst the report was overwhelmingly positive and reflects the work undertaken to ensure compliance, it does recognise that the service needs to develop its skill set so as to provide a modern and effective audit service that fits with the strategic and commercial direction of the Council. This will require staff to become more flexible, strategic and innovative in their approach, so as to demonstrate the value they are adding.
- 5.3 An action plan has been developed from the review which the Internal Audit Team are currently implementing.

Quality Assurance and Improvement Programme (QAIP)

- 5.4 During 2020/21, the following actions were taken to develop and improve the service:
 - Staff attendance at relevant professional seminars
 - Development of an Internal Audit Training Plan
 - Participation in webinars on topical issues such as CIPFAs New skills for the modern auditor and Making sense of governance
 - Assessment of skills within the team and identification of relevant development opportunities
 - Further reviews of the Internal Audit Manual which reflected comments within the external review of the PSIAS
 - On-going completion of relevant Continuing Professional Development requirements for professionally qualified staff
- 5.5 So as to ensure that the Service not only continues to comply with the PSIAS, but to ensure that the service continues to improve, the Service has created a Development Action Plan. This encapsulates a number of key actions such as:
 - Development of the skills of the internal audit team so it is fit to meet the challenges of a modern Council
 - Continuous review of the internal audit report
 - Continuous review and update of working practices and reflection of associated changes in the Internal Audit Manual
 - Management of sickness so as to minimise days lost and their impact on the delivery of the Internal Audit Plan.
 - Improved mechanisms for the management review of internal audit work.
 - Development of a more robust Counter-Fraud approach.

6. Overall Opinion

6.1 Based upon the work undertaken by Internal Audit in respect of 2020/21, the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in 2020/21 is:

Overall Opinion 2020/21	ADEQUATE
Potential for Improvement	ADEQUATE

6.2 This opinion is based on the following:

- An assessment of the range of individual opinions arising from audits delivered by Internal Audit during 2020/21. This assessment takes into account the relative materiality of these areas and management's progress in addressing control weaknesses that have been identified
- The design and operation of the Council's governance and risk management frameworks
- The extent to which Internal Audit complies with the PSIAS, and the quality and performance of the service, determined through compliance with its Quality Assurance and Improvement Programme (QAIP)
- Subject to the External Auditor's unqualified audit opinion and assessment of no material control weakness in the internal control environment in respect of the 2020/21 financial year (EY Audit Results Report, to be presented to Audit and Governance Committee in September 2021)
- Reports produced / issues arising as a result of consultancy or investigative work undertaken by the Internal Audit team
- Management's positive response to findings and recommendations
- The Assurance Mapping that was undertaken during the financial year.
- The continued independent status of Internal Audit, as evidenced by auditors' annual declarations in respect of the Code of Ethics.

6.3 It is vital that the Council builds on the progress made during 2020/21 in embedding a consistent and effective risk and performance management system, so as to support the Council during its delivery of its Framework for Change and achievement of the Sefton Vision 2030.

6.4 It should be noted the opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the Council and is not an absolute assurance of the effectiveness of internal control arrangements and the management of risk. The purpose of

this opinion is to contribute to the assurances available to the Council which underpin the assessment of the effectiveness of its governance framework, including the system of internal control, which are encapsulated in the Annual Governance Statement.

7. Looking Ahead

- 7.1 The Internal Audit Plan 2021/22 will deliver a comprehensive assurance on the following key areas: governance, risk management and internal control. The completion of this work will continue to assist the Council not only to develop in respect of identified areas for improvement, but also to gain assurance that the transformation programme being embarked on by the Council has adequate regard for internal control. The ongoing implementation and embedding of systems of risk and performance management will develop the Council's capacity to manage this journey, and Internal Audit will be key in reviewing these systems to support their development.
- 7.2 There are likely to be further impacts from Covid-19, as the next stage of the pandemic develops, potentially affecting the delivery of the Annual Audit Plan. There remains some uncertainty at this point on the nature or the extent of the impact. The team will remain focused to deliver a broad range of assurance during the year whilst being pragmatic and flexible in our actions to support operational colleagues across the organisation responding to the pandemic.
- 7.3 In addition, during the year, all recommendations will continue to be subject to follow up audit work, which will provide assurance of the level to which these have been implemented. This will provide a steer for the organisation in terms of areas for further attention so as to mitigate identified risks.
- 7.4 The Audit and Governance Committee will continue to play a key role not only in scrutinising the performance of the internal audit function, but also in challenging the organisation in respect of its response to Internal Audit work. This role is key in the Council's overall system of internal control.
- 7.5 The Internal Audit team will continue to develop and modernise so as to meet the needs of a changing organisation and maximise its contribution to the Council's system of internal control.