

Annual Report and Opinion of the Chief Internal Auditor 2021/22

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 during 2021/22 however this impact substantially declined through the financial year although we have experienced residual issues with recruiting suitable staff. We have been able to achieve a greater breadth of assurance work this year which reflects the Council's adaptation to the pandemic and our flexible response to undertake the work. We have set out plans to re-build the capacity of the team over the first seven months of the financial year to ensure that we can build a broad assurance plan for next year's Opinion. These plans use external and internal secondment resources which will help to embed greater understanding of risk, control and corporate governance within Finance as well as in the medium term the rest of the Council.
- 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 We have built on the approach we used last year to build the Opinion and developed our Assurance Mapping further. We have plans to enhance the opinion by plans to consider adopting the three lines of defence model as well as use Assurance Mapping on the Corporate Risk Register to build a greater understanding and transparency on risk, control and mitigation.
- 1.6 In respect of 2021/22, 67 audits were completed in total. The overall audit opinions given in these reports can be summarised as:

Organisational Risk Opinion	Number of audits
MAJOR	6
MODERATE	10
MINOR	5
NEGLIGIBLE	0
ASSURANCE PROVIDED	46

1.7 Based upon the work undertaken by Internal Audit in respect of 2021/22, 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 2021/22	ADEQUATE
Potential for Improvement	ADEQUATE

1.8 In the future, the impact of Covid-19 is likely to have a minimal impact to our Opinion for 2022/23 however we can see dynamic changes in the external operating environment which we will need to consider and take into account through our work during the year.

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 during 2021/22 although this substantially declined during the year. We have worked dynamically 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.
- 2.6 For internal auditors, again this year, 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 2021/22
 - 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 2021/22
 - A look ahead to the Internal Audit Plan 2022/23.
- 2.10 It is envisaged that this is the last year of the substantive impact from Covid-19 as the impact on the organisation has substantially declined during the year. However, we will continue to use the Assurance Mapping we have undertaken as this provides a deeper and broader understanding on sources of external assurance that have occurred during the financial year. There are further plans to enhance risk management and provide alternative assurance through the completion of the Sefton Assurance Framework, the potential adoption of the three lines of defence model and the assurance mapping of the Corporate Risk Register.
- 2.11 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.

2.12 It is confirmed that there was no impairment to internal audit objectivity during 2021/22.

3. Summary of Work Completed

Background

- 3.1 The Internal Audit Plan 2021/22 was approved by the Audit and Governance Committee on 16 March 2021. 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 2021/22, 68 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"> • Education Finance – Schools Regulatory Framework (Draft) • Sacred Heart Catholic College (Draft) • Holy Spirit School • Cherry Road Children’s Home • Highways Maintenance – Contract Management (Draft) • ICT Security
MODERATE	<ul style="list-style-type: none"> • Sandway Homes (Draft) • Corporate Governance Review (Draft) • Farnborough Road Infants School Audit • St John’s Primary School, Waterloo (draft) • Hudson Primary School 2021/22 Q3 • Corporate Governance Review 2020/21 • Norwood Primary School • COVID-19 Business Discretionary Grants • Presfield School Audit • Procurement 2019/20 Review (Final)
MINOR	<ul style="list-style-type: none"> • Council Tax • Covid Grants for Care Homes and Community Services (draft) • St William of York Primary School • Framework for Change 2023 – Estates and Assets Disposals (Final) • Great Crosby School Audit (Draft)
NEGLIGIBLE	<ul style="list-style-type: none"> • N/A
ASSURANCE PROVIDED	<ul style="list-style-type: none"> • Factfinding exercise cutting across Communities, Children’s Social Care and Education • Fostering – Memo issued • Public Health Grant 21/22 – Memo issued

Organisational Risk Opinion	Audit Title
	<ul style="list-style-type: none"> • Accounts Payable Controls Review – Memo issued • In House Fleet (draft Memorandum) • Key Issues note to management following employment conduct reviews • Highways Maintenance Self-Assessment • Assurance Mapping • Audit and Governance Terms of Reference Review • Key Issues Note to management following employment conduct review • In-house fleet costing review
	<p>Assurance of Combined Authority and Central Government Grants to facilitate certification</p> <ul style="list-style-type: none"> • A59 Grant Certification 2021/22 Q1 • Cambridge Road Skills Hub – Skills Strand 1 Grant Certification 2021/22 Q1 • Cambridge Road Skills Hub – Skills Strand 1 Grant Certification 2021/22 Q2 • Cambridge Road Skills Hub 2021/22 Q4 • Southport Events Centre and Theatre • Crowland Street Housing Development 2021/22 Q2 • Key Route Network - Urban Traffic Control 2020/21 Q3 Grant Certification • Key Route Network - Urban Traffic Control 2020/21 Q4 Grant Certification • A59 Dover Road Junction Improvements 2020/21 Q4 • Sefton Town Centres (Bootle and Southport) Grant Certification 2020/21 Q3 • Sefton Town Centres (Bootle and Southport) Grant Certification 2020/21 Q4 • Sefton Town Centres 2021/22 Q2 • Sefton Town Centres 2021/22 Q3 • Bootle Town Centre Grant Certification 2020/21 Q1 • Bootle Town Centre Grant Certification 2020/21 Q2 • Bootle Town Centre Grant Certification 2020/21 Q3 • Bootle Town Centre Grant Certification 2020/21 Q4 • Bootle Town Centre – The Strand Acquisition and Disposal 2020/21 Q1 • Bootle Town Centre Grant Certification 2021/22 Q2 • Bootle Area Action Plan 2021/22 Q2 • Crosby Lakeside Grant Certification 2020/21 Q3 • Crosby Lakeside Grant Certification 2020/21 Q4 • Crosby Lakeside Grant Certification 2021/22 Q1 • Southport Eastern Access Grant Certification 2020/21 Q4 • Maritime Corridor Grant Certification 2020/21 Q4 • Cambridge Road Skills Hub – Skills Strand 1 Grant Certification 2020/21 Q4

Organisational Risk Opinion	Audit Title
	<ul style="list-style-type: none"> • Southport Pleasureland – Pre-development Grant Certification 2020/21 Q3 • Southport Pleasureland – Pre-development Grant Certification 2020/21 Q4 • Sustainable Transport Enhancement Package 2020/21 Q4 • Buckley Hill Grant Certification 2021/22 Q1 • Buckley Hill 2021/22 Q2 • Integrated Transport, Highways Maintenance Block and Key Route Network • Troubled Families 2021/22 Period 1 Claim • Troubled Families 2021/22 Period 2 Claim • Troubled Families 2021/22 Period 3 Claim

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

- A member of the Audit Team has been absent on unplanned leave for the November 2020 to June 2021 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 to take on two fixed term contract employees from April 2021. There were however limited candidates available due to a buoyant job market in the wider economy. We were able to recruit two suitable candidates who started in September and December 2021 and who subsequently left the Council as planned in March 2022.
- Subsequently the member of the Audit Team retired on ill health grounds in November 2021.
- The Trainee ICT Auditor started maternity leave in February 2021 and returned in February 2022.
- A member of the Audit Team on a fixed term contract reduced their working week to three days a week from 1 April 2021, previously full time, in advance of them retiring in March 2022 agreed to increasing their hours by one day per week from November 2021 for the rest of the financial year.

3.8 As indicated above, sickness absence has had a significant impact during the year with 71 days lost due to sickness which compares favourably to 107.5 days lost in 2020/21, six days 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.

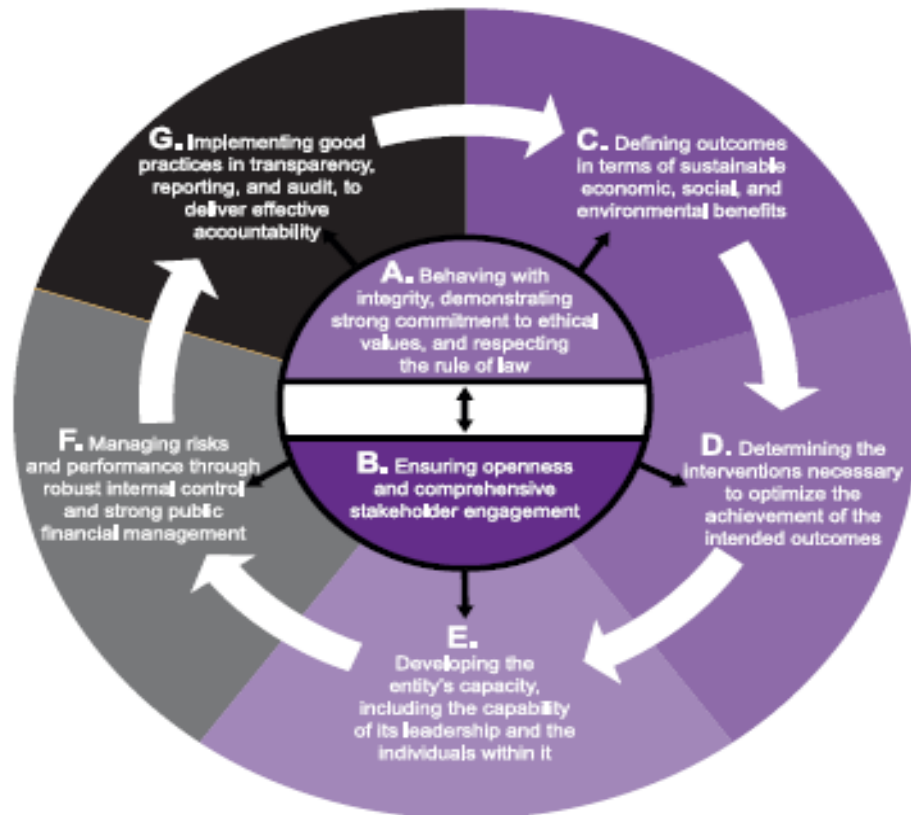
3.9 Covid-19 has also impacted on the delivery of audit work in reducing Officers' capacity to respond quickly during the pandemic due to the scale of the issue. Although the impact was not as significant as 2020/21 Internal Audit have flexibly provided additional support where required for example in assisting the Heads of Service and Executive Directors prepare written Governance Assurance Statements for the 2021/22 Annual Governance Statement. Covid-19 had 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 again 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 2021/22 has been significant, although declining presence during the financial year, 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 We expect that that looking forward the impact of Covid-19 will have a diminishing/ minimal effect on the delivery of the audit plan during the next 12 months. There are plans to recruit to two permanent full time Principal Internal Auditors positions during the year, of which one position we have already appointed to and the other position we are currently in a recruitment exercise for. In addition, we are looking to take two secondments from Finance team on a rolling six month and two-year basis with a part qualified CIPFA trainee to provide a taster experience of internal audit and the latter post CIPFA qualified to provide additional internal audit experience on corporate governance, risk and control.

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) 2021/22 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 2020/21 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 eight 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

There were three SGLs in the Council's 2020/21 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).
- 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.

Significant Governance Issue 2

There was a Local Government Association (LGA) Peer Review Revisit on 21 and 22 April 2022. The LGA Peer team reviewed progress against the recommendations since the last Corporate Peer Challenge in September 2018, under the following themes:

- Local Priorities and Outcomes;
- Corporate Transformation;
- Economic Growth, and
- Member Development.

Following the Revisit, the Peer team will produce a public feedback report which is expected June 2022.

Significant Governance Issue 3

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.

On 17 March 2021, the Council's Audit and Governance Committee has noted the introduction of the CIPFA FM Code and the self-assessment of compliance with the Code and noted the Action Plan to further improve both compliance with the Code and financial management across the Council.

CIPFA's Better Governance Forum has issued guidance on Local Authority's Corporate Codes of Governance that recommends that these are reviewed and approved annually by the Audit Committee annually. The Council's Corporate Code of Conduct was last reviewed in 2019.

Significant Governance Issue 4

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. There is a Strategy in place and delivery is via an Action Plan for the period to 2030. This 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 5

COVID-19 continued as an SGI in 2021/22.

Significant Governance Issue 6

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 to create Integrated Care Partnerships.

'Shadow' arrangements were introduced in 2021/22 and to be delivered in full by April 2022.

Significant Governance Issue 7

In the 2020/21 Corporate Governance Internal Audit Review it was recommended that a self-assessment against the Local Government Associations National Framework is carried out in line with the conclusions of the Council's Ethical Working Group.

Changes internally and at Social Value Portal mean that this work has stalled and will start again in the first quarter of 2022/23.

Significant Governance Issue 8

In the 2020/21 Corporate Governance Internal Audit Review (IAR) it was recommended that Partnership Agreements are reviewed by Heads of Service (HoS) to provide assurances in line with the Council's Financial Procedural Rules (FPRs) for access for Internal Audit. The IAR also recommended that HoS submit copies of their Service Area Registers in line with the Council's Employees' Code of Conduct (CoC) to the Council's Monitoring Officer (MO) by 30 April each year.

In 2021/22 not all HoS have complied with the provision of assurances. All but two HoS have responded to the provision of registers.

- 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:
- Work has started on developing the Council's Risk Appetite
 - A draft Assurance Framework has been developed which will with other work planned on implementing the three lines of defence model will help to embed risk management across the Council
 - All Service areas have a Service Risk register in place
 - Improvement Plan agreed by Strategic Leadership Board to help embed risk management
 - A presentation since December 2020 at the Audit and Governance Committee on one of the risks from the Corporate Risk Register
 - The Corporate Risk Register has included more strategic risks
 - Publication of the Corporate Risk Register after each Audit and Governance Committee meeting
 - Development started on the development of an e-learning training programme
- 3.19 The March 2021 Corporate Risk Management paper to Audit and Governance Committee noted an improvement in embedding risk management however following the start of the 2021/22 financial year there was 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. Performance has been varied during the year with some quarters there is a good response to having updated Strategic Risk Registers being provided and other quarters where this does not consistently happen across each of the Service Areas. Area of development remains the process by which the SRR takes into account the updating of the Operational Risk Registers in place. Current engagement on embedding risk management remains an area to be developed further.

- 3.20 The Corporate Risk Register is updated by Heads of Service and Executive Directors every quarter, not all risks, scores and mitigating actions are updated quarterly, and shared with Senior Leadership Board and the Audit and Governance Committee. Improvement this year is the inclusion of more strategic risks for example Climate Change however further work is required to ensure that the external operating environment is accurately reflected in the risk register in a timely manner and that mitigating action is undertaken promptly to address the risks to the target score.
- 3.20 The ongoing development of this framework was a key area of focus for the Council during 2021/22. It is important that during 2022/23, corporate risk management continues to develop and embed across the Council. The continued engagement of Senior Management as highlighted above will be vital so as to ensure success. Proposed work during 2022/23 includes the development of an Assurance Framework for the Council, the definition of the Council's risk appetite, the potential adoption of the three lines of defence model and assurance mapping for the risks within the Corporate Risk Register which will help to further integrate and embed risk management.
- 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 operational management responsibility for the Sefton Risk Management framework on behalf of the Executive Director of Corporate Resources and Customer Services.

Internal Control

- 3.22 Of the 68 (2020- 50) pieces of audit work completed during the year, 22 (2020-5) 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 were eight audits during the year with a "Major" Organisational Risk Opinion

Education Finance – Schools Regulatory Framework (Draft)

- 3.23 A number of high priority recommendations require that Management review regulations in relation to schools' procurement including Schools' Contract Procedure Rules.

Sacred Heart Catholic College (Draft)

- 3.24 Recommendations are made in relation to the college adopting Council policies and approving its own policies, budget monitoring, pay enhancement approvals, the school fund and insurance arrangements.

Holy Spirit Primary School

- 3.25 The school should review and update its Finance Manual ahead of approval by the Governing Body, keep its inventory up to date and ensure the school fund is audited and reported to the Governing Body.

Cherry Road Children's Home

- 3.26 Budget allocations should be reviewed to ensure that they are sufficient to meet the objectives of the home and regular budget monitoring should be undertaken.

Highways Maintenance Contract Management

- 3.27 A number of recommendations regarding periodic financial checks on contractors, Key Performance Indicators / performance monitoring in contracts and during the length of the contract, implementation of a risk based inspection regime and use of IT.

ICT Security

- 3.28 A number of recommendations were made including Information Governance and ICT policies should be reviewed, Departmental inventories of ICT equipment need to be compiled and reviewed against central records and ICT Security testing KPIs should be reported monthly.
- 3.29 Follow up audits completed show, on the whole, a positive picture in terms of the implementation of recommendations. There was a concern that was reported to the Audit and Governance Committee in December 2021 on the delivery of the agreed actions from the Adult Social Care Debt audit however in the last six months there has been substantial progress.

Counter-Fraud

- 3.30 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.
- 3.31 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

3.32 The Policy states that the Chief Internal Auditor must be notified of any suspected fraud or irregularity. There were six suspected frauds or irregularities notified during 2021/22 and in addition the CIA monitored progress for a previous suspected fraud.

Assurance Mapping

3.33 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.

3.34 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.

3.35 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.”

3.36 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 Q4 2021/22, building on a previous review undertaken in 2020/21, and involved identifying for each service area sources of external assurance.

3.37 Areas will be assessed over a three-year window, with a starting point of 1 April 2019 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 with a RAG rating risk opinion built on the outcome of the assurance.

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

Corporate Resources	Date	Risk	Strategic Support	Date	Risk
Public Services Network	January 2022	Minor	Local Government and Social Care Ombudsman	July 2021	Moderate
General Registrar’s Office - HM Passport Office	June 2021	Major	Education	Date	Risk
Corporate Personnel - L&D	April 2022	Minor	SENIS Early Years	April 2022	Minor

Customer Service Excellence (CSE)	April 2022	Minor	Delivery of music service - Arts Council England	January 2022	Minor
Commercial Development	Date	Risk	Head of Virtual School - Ofsted - ILACS Focus Report	March 2021	Major
Sandway Homes - Environmental Agency	November 2020	Moderate			
Sandway Homes - Considerate Constructors	April 2021	Minor	Special Educational Needs and Inclusion Service - Ofsted - Annual Conversation	January 2022	Major
Sandway Homes - Considerate Constructors	August 2021	Minor	Autism and Complex Needs - Delegate Feedback	2022	Moderate
Children Services	Date	Risk	Economic Growth and Housing	Date	Risk
Review of child centred practices during Covid pandemic.	May 2021	Moderate	Planning - Ministry of Housing, Communities and Local Government	March 2022	Minor
Fostering & Leavers care	2022	Major	Employment & Learning (Sefton at Work)	November 2020	Minor
Safeguarding	May 2021	Major	Building Control	December 2021	Minor
Operational In-House Services	Date	Risk	Highways and Public Protection	Date	Risk
Catering	Feb 2022	Minor	Highway Maintenance - Department of Transportation	2021/22	Minor
TEC Services (Assistive Technology)	October 2021	Major	Communities	Date	Risk
Green Sefton - Britain In Bloom	2021	Minor	Youth Offending Team (YOT) Benchmarking Performance Report	October 2021	Minor
Green Flag Award - Keep Britain Tidy Group	2021	Minor	Youth Offending Team (YOT) - Ofsted	February 2021	Major
Burials and Cremations - Institute of Cemetery and Crematorium Management	April 2021	Minor	Adult Social Care	Date	Risk
The Federation of Burial and Cremation Authorities	July 2021	Moderate	Benchmarking Performance Dashboard	January 2022	Moderate
Southport crematorium Chimney Emissions	April 2021	Minor	Adult Social Care Outcomes Framework - NHS	October 2021	Minor
Security Services & Electrical Services.	2021	Minor	Public Health	Date	Risk
Vehicle Maintenance and Fleet	May 2022	Minor	UK Public Health Register	2021/2022	Minor

Management - DVSA - Operator Compliance Risk Score					
Ofsted School Inspections	Date	Risk	Ofsted School Inspections	Date	Risk
Litherland High School	January 2022	Moderate	Sacred Heart Catholic College	October 2021	Major
Maghull High School - Remote Inspection	April 2021	Minor	Savio Salesian College - Remote Monitoring Inspection	March 2021	Minor
Maghull High School	January 2022	Minor	St Gregory's Catholic Primary School	October 2021	Minor
Waterloo Primary School	February 2022	Minor			

3.39 The assurance mapping exercise was used in the development of the Annual Audit Plan for 2022/23 and will be used in the proposed assurance mapping exercise to the Corporate Risk Register during 2021/22. We are currently considering how to improve the Assurance Mapping during 2022/23 to look at weighting of the assurance to reflect the relative independence of the review.

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 2019/20 and 2020/ 21 actuals) is:

Description and Purpose	Target	Actual 2019/20	Actual 2020/21	Actual 2021/22	Variance and Explanation
<p>Percentage of the Internal Audit Plan completed</p> <p>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%	84%	63%	62%	<ul style="list-style-type: none"> • Sickness absence. • Maternity Leave • COVID impact on recruitment of temporary resources • Focus on supporting Service Areas e.g. COVID-19 grants; additional support in 2020/21 AGS. • Capacity of Service Areas to be audited.
<p>Percentage of Client Survey responses indicating a "very good" or "good" opinion</p> <p>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</p> <p>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 2021/22, 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 2021/22, 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 2021/22 is:

Overall Opinion 2021/22	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 2021/22. 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 2021/22 financial year (EY Audit Results Report, to be presented to Audit and Governance Committee in November 2022)
- 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 2021/221 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 2022/23 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 It is not expected at this point looking forward that there will be any further meaningful impact from Covid-19, as the impact on the organisation has diminished substantially over the past 12 months. The external operating environment, particularly over the past three months has evolved substantially with new risks evolving from events in Ukraine as well as existing known risks (inflation, supply chain and cost of living pressures) having much greater potential impact as we view the horizon for the next 12 months. The team will remain focused to deliver a broad range of assurance during the year, which we managed to increase during the past 12 months despite severe resource issues and the pandemic whilst being pragmatic and flexible in our actions to support operational colleagues across the organisation as they respond to the changing operating environment.
- 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.