

Annual Report and Opinion of the Chief Internal Auditor 2022/23

Audit and Governance Committee
6 September 2023

David Eden
Chief Internal Auditor
Risk and Audit Service
Corporate Resources
Magdalen House
30 Trinity Road
Bootle
L20 3NJ

Contents

1.	Executive Summary	Page 3- 4
2.	Introduction	Page 5 - 6
3.	Summary of Work Completed	Pages 7 - 28
4.	Performance	Page 29 - 30
5.	Public Sector Internal Audit Standards	Pages 31
6.	Overall Opinion	Pages 32 - 33
7.	Looking Ahead	Page 34

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 minimal direct impact through the financial year although we have experienced residual issues with recruiting suitable staff.
- 1.3 Revised guidance from CIPFA had 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 Further Guidance has been issued by CIPFA – Internal Audit Untapped Potential in May 2022 on providing a separate opinion for Schools which has been provided in the report.
- 1.6 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.
- 1.7 In respect of 2022/23, 106 engagements were completed comprising 91 on behalf of the Council and 15 in relation to schools. The overall audit opinions given in these reports can be summarised as: table below.

Organisational Risk Opinion	Number of Council audits	School audits	Council and school audits
MAJOR	5	2	7
MODERATE	15	13	28
MINOR	4	0	4
NEGLIGIBLE	0	0	0
ASSURANCE PROVIDED	67	0	67
TOTAL	91	15	106

1.8 Based upon the work undertaken by Internal Audit in respect of 2022/23, the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control are:

Overall Opinion 2022/23	ADEQUATE
Potential for Improvement	ADEQUATE

1.9 There is a separate opinion for Schools in accordance with CIPFA’s guidance on “Internal Audit Untapped Potential” which is:

Overall School Opinion 2022/23	ADEQUATE
Potential for Improvement	ADEQUATE

1.10 We continue to 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 During Covid-19 internal auditors, 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.
- 2.6 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.
- 2.7 This guidance has been discussed in professional network groups for example the CIPFA Northwest 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.
- 2.8 In arriving at this opinion, this report sets out:
- A summary of the Internal Audit work undertaken during 2022/23
 - 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 2022/23 for the Council and Schools.
 - A look ahead to the Internal Audit Plan 2023/24.
- 2.9 Although the impact from Covid-19 has been inconsequential during the year, 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. We developed during the year the Sefton Assurance Framework and 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.
- 2.10 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.
 - 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 2022/23.

3. Summary of Work Completed

Background

- 3.1 The Internal Audit Plan 2022/23 was approved by the Audit and Governance Committee on 16 March 2022. 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 2022/23, 106 pieces of internal audit work were completed, 91 for the Council and 15 for schools.

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	Schools
MAJOR	<ul style="list-style-type: none"> • Education Finance – Schools Regulatory Framework • Highways Maintenance Contract 2021/22 • SEND 2021/22 • SeftonArc Security Services – 2021/22 • Direct Payments 	<ul style="list-style-type: none"> • Sacred Heart Catholic College (Draft) • Holy Spirit School Audit
MODERATE	<ul style="list-style-type: none"> • Sandway Homes 21/22 • Corporate Governance Review 21/22 • Procurement • Aiming High • Beach Parking Income • Golf Income (Draft) • Schools Budget Monitoring • Climate Emergency • Business rates • Energy Payments • Fleet Management (Draft) • Cleansing Vehicles – Key Management D • Risk Management (Draft) • ASC Debt Management (Draft) • Corporate Debt Management 	<ul style="list-style-type: none"> • Farnborough Road Infants School Audit • Hudson Primary School • St John's Waterloo Primary (21/22) • Linaker Primary School • Bedford Road School • St Elizabeth's Catholic Primary School • Cambridge Nursery School • Our Lady of Lourdes School • Aintree Davenhill School • Springwell Primary School (Draft) • Green Park primary School (Draft) • All Saints School (Draft) • Marshside School (Draft)
MINOR	<ul style="list-style-type: none"> • Council Tax 21/22 • Operator's Licence • Performance Management • Covid 19 Omicron Variant Grant 	
NEGLIGIBLE	<ul style="list-style-type: none"> • N/A 	

Organisational Risk Opinion	Audit Title	Schools
ASSURANCE PROVIDED	<ul style="list-style-type: none"> • Factfinding exercise cutting across Communities, Children’s Social Care and Education • Fostering memo • Tree Management Report • ASC Budget Management Consultancy • Assurance Mapping <p>Assurance of Combined Authority and Central Government Grants to facilitate certification.</p> <ul style="list-style-type: none"> • Public Health Grant 20-21 • Cambridge Road Skills Hub 2021/22 Q4 • Cambridge Road Skills Hub 2021/22 Q3 • Southport Events Centre and Theatre - Pre-Dev works 21/22 Q3 • Southport Events Centre and Theatre - Pre-Dev works 21/22 Q2 • Southport Pleasure Land 21/22 Q2 • Southport Pleasure Land 21/22 Q3 • Southport Pleasure Land 21/22 Q4 • Sefton Town Centres - 2021/22 Q4 • Southport Eastern Access Pre-Development 21/22 Q4 • Southport Eastern Access Pre-Development 21/22 Q3 • Maritime Corridor Pre-development 21/22 Q3 • Bootle Area Action Plan 21/22 Q4 • Bootle Area Action Plan 21/22 Q3 • Acquisition of Land & Property (Bootle Town Centre) 21/22 Q4 • Buckley Hill 21/22 Q4 • Buckley Hill 21/22 Q3 • Acquisition of Land & Property (Bootle Town Centre) 21/22 Q3 • Maritime Corridor Pre-Development 	

Organisational Risk Opinion	Audit Title	Schools
	<p>21/22 Q4</p> <ul style="list-style-type: none"> • Crosby Lakeside 21/22 Q4 • Crosby Lakeside 21/22 Q3 • Crosby Lakeside 21/22 Q2 • Crowland Housing Development 21/22 Q4 • Crowland Housing Development 21/22 Q3 • Crowland Housing Development 21/21 Q1 • A59 2021/22 Q2 – report match funding • A59 2021/22 Q3 – report match funding • A59 Port Capacity 2021/22 Q4 • Troubled Families Grants (Q2) • Urban Traffic Control Yr Q1 Apr - Jun • Key Route Network A59 -Port Capacity 2021/22 Q4. • A59 2021/22 Q4 • Contain Outbreak Management Fund • Troubled Families Grants Q3 • Test and trace • Marine Lake Event Centre Q1/Q2 22/23 • Sefton Town Centres Claim 2022/23 Q1 • Sefton Town Centres Claim 2022/23 Q2 • Green Homes Local Authority Delivery Phase 2 • CLAC 22/23 Q1 • CLAC 22/23 Q2 • TT Cables 22/23 Q2 • Bootle Area Action Plan Q2 22/23 • Lord Street Vacant Upper Floor • Acquisition of land and property Bootle Bootle Town Centre 22/23 Q2 • Southport Eastern Access Corridor Q2 22/23 • Maritime Corridor Q2 22/23 	

Organisational Risk Opinion	Audit Title	Schools
	<ul style="list-style-type: none"> • Acquisition of land and property Bootle Town Centre 22/23 Q1 • Bootle Area Action Plan Q2 22/23 • Bootle Area Action Plan Q3 22/23 • TT Cables Q3 2022/23 • Supporting Families Q3 2022/23 • Lord Street Q3 2022/23 • Troubled Families Grants • South-Eastern Corridor Q3 • Maritime Corridor Q3 22/23 • Marine Lake Event Centre Q3 • Cambridge Road Skills Hub Q1 22/23 • Cambridge Road Skills Hub Q4 21/22 • Cambridge Road Skills Hub Q4 21/22 • Crosby Lakeside Year 2 Q3 • City Region Sustainable Transport Settlement Claim 2022/23 Q1 to Q3 	

3.7 The delivery of the audit plan has been affected by resourcing issues which have arisen during the year partly as a result of issues beyond the Team's control and the Council's moratorium on recruitment.

- Finance agreed before the start of the financial year, to address long standing resourcing issues, to provide on a six monthly rotation one member of staff a Finance CIPFA trainee starting from June 2022. The staff member started at the end of August 2022. An integral part of the role has been for the individual to carry on studying for one day per week which was not initially identified during the discussions with Finance. In addition, the staff transferred over to Internal Audit with virtually all of their annual leave outstanding rather than the expected pro-rata amount. Finance agreed to provide a two secondment to Internal Audit for a member of staff who had recently qualified from October 2022. Finance after the approval of the Internal Audit Plan later confirmed that they were unable to provide the resource.
- In addition, one member of the Audit Team was absent on un-planned leave between 1 September 2022 to 5 January 2023.
- The Trainee ICT Auditor returned in February 2022 from maternity leave and transferred from full time to part time hours in October 2022. Due to the Council's moratorium on recruitment, we were unable to recruit to the vacancy.

3.8 As indicated above, sickness absence has had a significant impact during the year with 148 days lost due to sickness which compares to 71 days lost in 2021/22, 107.5 days lost in 2020/21, six days in 2019/20 and 26 days lost in 2018/19. The majority

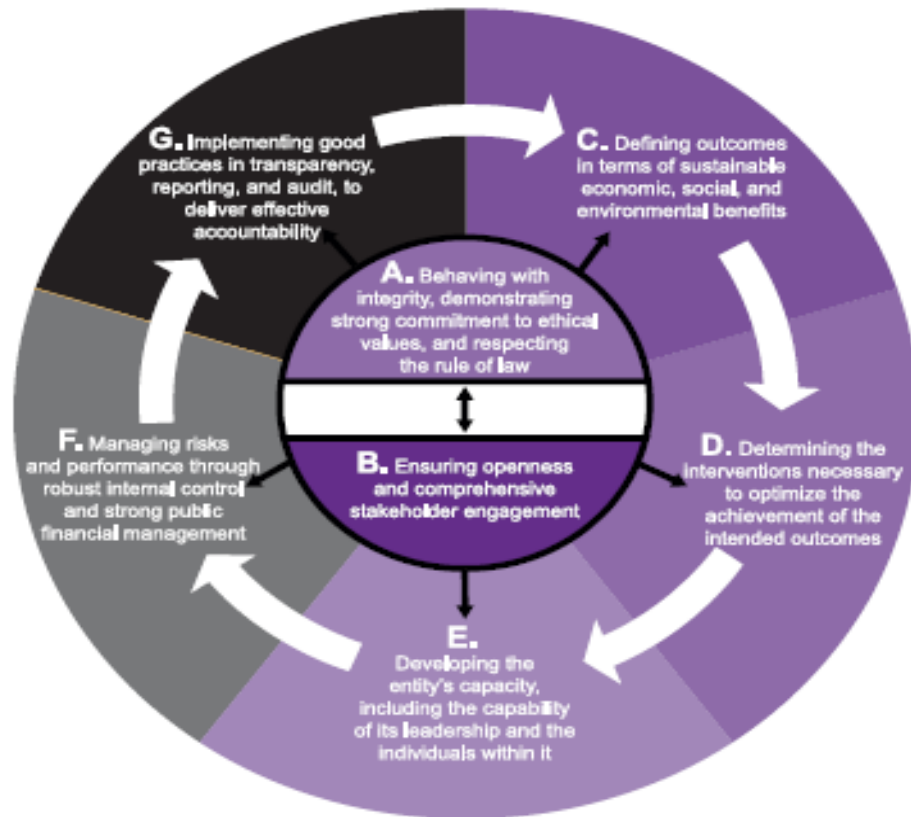
of the sick time relates to one long term absence highlighted above. Any lost time has an impact on the ability to deliver the Internal Audit Plan, and sickness absence continues to be monitored and managed robustly in accordance with the Council's Absence Management Procedures.

- 3.9 Covid-19 has had no impact during the year although the Council has been impacted by the financial budgetary issues where there has been an understandable focus by Officers due to the scale of the issues that have arisen following the pandemic as inflation has risen rapidly in the UK and wider during the financial year affected by the Ukraine invasion exacerbating post pandemic supply chain issues and a tight labour market. There has been an ongoing focus on Children's Services following the Ofsted report and follow up monitoring reports.
- 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.
- 3.11 We had planned for the 2023/24 financial year to include additional resources from 1 July 2023 and to replace the fixed term contract who had planned to leave the organisation on 30 June 2023. We started recruiting for the replacement for the fixed term contract member of staff in January 2023 however at the time of writing the report we have not been able to find suitable candidates. We are continuing to recruit for the role. Finance have confirmed that the funding for the additional resources will not be available. We are providing a revised Internal Audit Plan to the September 2023 meeting.

Corporate Governance

- 3.12 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.
- 3.13 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 2021/22 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.

3.14 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 four of these will feature in the Annual Governance Statement as "Significant Governance Issues" (SGIs). 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

A full OFSTED inspection of Sefton's Children's Services was completed in February 2022 and the judgement was graded as 'inadequate' across all areas.

Following the inspection, the Department for Education (DfE) appointed a Children Commissioner to review the Council capacity and capability and oversee improvement within the Council. An Improvement Plan was devised and submitted to OFSTED, containing 22 recommendations which focuses on the following four main themes:

- Improving quality.
- Implementation of learning.
- Improving tools.
- Improving strategic partnerships.

OFSTED completed a monitoring visit to Children's Services in February 2023. The headline findings in the monitoring report stated "there has been insufficient progress in improving the response to children in need of help and protection. The pace of improvement is too slow, and most practice weaknesses identified at the inspection in February 2022 remain today".

Significant Governance Issue 2

Sefton Council's High Needs budget continues to face severe cost pressures from increasing numbers of children being diagnosed with complex and life-long SEND related issues.

The High Needs cumulative budget deficit was £12.4m at the end of 2021/22 and is forecast to be over £18.5m by the end of 2022/23. The budget report presented to Cabinet in April 2023 forecasts a further deficit of at least £6.5m for 2023/24 resulting in an overall High Needs budget deficit of between £24m and £30m by the end of 2023/24.

Central government has announced that the ringfencing of this deficit will continue until the end of 2025/26, however the position after this point is uncertain. At this stage there is no evidence to suggest this deficit will be met from central government.

If the deficit is not reduced annually between 2023/24 and 2025/26, it will ultimately need to be met from either the Dedicated Schools Grant (DSG), which would impact on funding available for the education sector or the Council. A deficit of over £20m cannot be met from the Council based on the resources that are available or the reserves that are held. As such, this would be a major risk to the Council's financial sustainability.

Significant Governance Issue 3

The Children's Services budget between 2020/21 and 2022/23 has been overspent each year, with a significant overspend occurring for 2022/23, resulting in a risk to the financial sustainability of the Council.

The Council is currently working on a range of options to address the overspend, including the development of a five-year Medium Term Financial Plan (MTFP) aligned to the Commissioners Improvement Plan for Children's Services.

The financial management arrangements within Children's Services will need to be robust, given the volatility and budget pressures that are likely to continue during 2023/24.

Significant Governance Issue 4

In the 2020/21 and 2021/22 Corporate Governance Internal Audit Review, it was recommended that partnership agreements are reviewed by Assistant Directors to provide assurances in line with the Council's Financial Procedural Rules (FPRs) for access for Internal Audit.

A revised version of the FPRs was approved by Council on 19 January 2023. This included a review of how the Council will deal with its partnership arrangements and the inclusion of new provisions and high-level responsibilities of Executive Directors and Assistant Directors.

Guidance has since been drafted to support Executive Directors and Assistant Directors fulfil their new responsibilities, including the development of a checklist of all necessary requirements before entering into a partnership, during it and following its cessation. However, the guidance has yet to be issued and the new partnership arrangements are yet to be fully embedded in operation.

- 3.15 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.
- 3.16 The Audit and Governance Committee, and Strategic Leadership Board, have received a regular update in the Risk and Audit Performance Paper on the progress on implementing the SGIs as well as the lower risk recommendations from the corporate governance reports.
- 3.17 There are regular quarterly meetings between the Chief Monitoring Officer, S151 Officer (Executive Director of Corporate Resources) and Customer Services and the Chief Internal Auditor to consider governance issues and identify any areas for improvement. These reviews have identified improvements for example in drafting an annual work plan for the Audit and Governance Committee, training plan for Committee members and the recruitment of independent members in line with good practice.

Risk Management

- 3.18 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 alongside the rationale that is essential part of good governance as detailed in the CIPFA CIPFA/SOLACE guidance "Delivering Good Governance in Local Government. 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.
- 3.19 During the year there has been a sustained activity to attempt to improve the embedding of risk management within the Council. The Risk and Resilience 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 Council's Risk Appetite has been drafted and approved by the Audit and Governance Committee.
 - An Assurance Framework has been developed and approved by the Audit and Governance Committee framework 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 on the Council's intranet page
 - Work has started on the development of an e-learning training programme.
 - Work has started on developing Assurance Mapping against the Council's Corporate Risk Register.
 - An integral part of each internal audit is evaluating the auditee's team's use of risk management in the area under review.
- 3.20 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. Again during 2022/23 performance has been varied during the year with some quarters there is a good response to having updated Strategic Risk Registers (SRRs) 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 SRRs 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 to ensure that this takes place consistently across the Council including ensuring that there is a standard risk item on the agenda of the Departmental Management Teams and that the SRRs are shared.
- 3.21 The Corporate Risk Register is updated by Assistant Directors 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 again is the inclusion of more strategic risks, and the risk register does now accurately reflect the

operating environment however further work is required to rationalise the numbers of risk in a timely manner, ensure that the risks are consistently updated on a regular basis including the further actions. There should be a focus on ensuring further actions are SMART .

3.22 The Council's Internal Audit Team, using the safeguards outlined in the Audit Charter where reviews are undertaken into areas where the Chief Internal Auditor is operationally responsible, completed a review of the Council's risk management arrangements. The Chief Internal Auditor maintains independence during the audit review through the Internal Audit Manager having operational responsibility for the review and issuing the report and liaising with the CIA's line manager for agreeing the brief and feeding back on the audit findings. The audit identified that:

3.23 The risk management system aided by risk registers across operational, service area, and corporate tiers, establishes a robust framework for effective risk management. Detailed protocols are provided in the risk management handbook including stakeholder roles, responsibilities, and reporting arrangements. The Council's Constitution further supports this structure.

Risk management effectiveness hinges on thorough implementation across the council. Approximately 80 risk registers are maintained requiring active officer involvement. Risk management support is provided to the officers across the Council by the Risk and Resilience team.

The Internal Audit Opinion is 'Moderate' risk to the control environment. The report makes three medium and two low priority recommendations for improvements to systems and processes, summarised as:

1. Clearly define the role of the Risk and Resilience Team and update the Risk Management Handbook.
2. Develop a checklist to assess each risk register against.
3. Ensure that the Risk Appetite Framework is included in the Risk Management Handbook.
4. Progress the risk management training with the Corporate Learning and Development Team and review how risk management information is shared across the Council.
5. Review whether managers received adequate notice of deadlines to return updated risk registers.

3.24 It is important that during 2023/24, corporate risk management continues to develop and embed across the Council and in particular the use of the Council's risk appetite is embedded across decision making including Committee papers. The continued engagement of Senior Management as highlighted above will be vital so as to ensure success. Proposed work during 2023/24 includes 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.

3.25 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

- 3.26 Of the 106 (2021/22- 68) pieces of audit work completed during the year, 39 (2021/22-21) 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 seven audits during the year with a “Major” Organisational Risk Opinion

Sefton Arc Security Services

- 3.27 High priority recommendations are made to management regarding the development of a Business Strategy for the service, improving compliance with Contract Procedure Rules, approving fees and charges, use of own tools, implementing Security Industry Authority findings, ensuring staff security licences are kept up to date and stock controls.

Education Finance – Schools Regulatory Framework (Draft)

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

SEND (Draft)

- 3.29 A number of recommendations are made reinforcing the aspects of the recent Ofsted inspection and the implementation of the SEND improvement plan.

Sacred Heart Catholic College (Draft)

- 3.30 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

- 3.31 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.

Direct Payments

- 3.32 The review highlighted that the governance controls are weak, and a Service Level Agreement (SLA) has never been formally agreed. Management have commented that this was due to historic arrangements in place. There is a now proposed report on an interim contract being considered by the Executive Commissioning Group with a report on this to be provided to Cabinet.

Highways Maintenance Contract Management

- 3.33 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.
- 3.34 Follow up audits completed show, on the whole, a positive picture in terms of the implementation of recommendations. Analysis of data provided to Audit and Governance Committee in December 2022 shows that from a total of 351 agreed actions for 2018 – 2022 financial year, 245 (70%) of agreed actions have been implemented with 106 (30%) of agreed actions still outstanding. An industry benchmark is 65% of agreed actions should be implemented by the original date therefore the Council's performance is above the benchmark. A review of the outstanding actions from all audits between 2018/2019 to 2021/2022 financial years indicates that there continues to be some delays in progressing a proportion of the agreed actions across the Council. Of particular concern is the 2019/2020 performance where it could be expected that there would be a greater proportion of the agreed actions would be implemented at this point and a focus on the eight High priority agreed actions where the progress is considered to be outstanding. There is no doubt that the during the pandemic resource was focused on essential activities required to mitigate the pandemic's effects on the Borough and less on the control improvements needed. A further update was provided to the Audit and Governance Committee in March 2023 on the outstanding recommendations.

Counter-Fraud

- 3.35 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. A revised Anti-Fraud, Bribery and Corruption Policy will be presented to Cabinet for approval.
- 3.36 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

3.37 The Policy states that the Chief Internal Auditor must be notified of any suspected fraud or irregularity. There were two suspected frauds or irregularities notified during 2022/23 and in addition the CIA monitored progress for a previous suspected fraud.

Assurance Mapping

3.38 As the COVID-19 pandemic 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.

3.39 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.

3.40 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."

3.41 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. Further work has been undertaken in 2022/23 to build up the assurance opinion. We have taken a pragmatic view that in some Service Areas we have used a review up to three years old, with a starting point of 1 April 2020 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.

3.42 CIPFA's guidance Internal Audit Untapped potential includes a recommendation "*For local government with education responsibilities, consider an annual internal audit report that splits out schools' audit work from the main opinion. This would make clearer the nature and quantum of assurance on which the opinion relating to the organisation's central risk management, governance and control environment is based.*"

3.43 We have devised a Schools' only assurance map, based on the audit opinions from internal audit, see table in 3.2 above, and external inspections. The subsequent opinion is based on the outcomes included in the assurance map.

Schools (Internal Audits & Ofsted inspections)

Major	
Internal	Ofsted
<ul style="list-style-type: none"> • Holy Spirit School • Sacred Heart Catholic College 	<p>None</p>
Moderate	
Internal	Ofsted
<ul style="list-style-type: none"> • Aintree Davenhill School • All Saints School • Bedford Road School • Cambridge Nursery School • Farnborough Road Infants School • Green Park primary School • Hudson Primary School • Linaker Primary School • Marshside School • Our Lady of Lourdes School • Springwell Primary School • St Elizabeth's Catholic Primary School • St John's Waterloo Primary 	<ul style="list-style-type: none"> • Our Lady of Walsingham Primary School • St Michael's Church of England High School
Minor	
Internal	Ofsted
<p>None</p>	<ul style="list-style-type: none"> • Birkdale High School

	<ul style="list-style-type: none"> • Formby High School • Great Crosby Catholic Primary School • Greenbank High School • Hatton Hill Primary School • Holy Trinity Church of England Primary School • Kew Woods Primary School • Litherland Moss Primary School • Maricourt Catholic High School • Melling Primary School • Norwood Primary School • Lady Queen of Peace Catholic Primary School • Range High School • Redgate Community Primary School • St Andrews Church of England Primary School • St Elizabeth's Catholic Primary School • St George's Catholic Primary School • St John Bosco Catholic Primary School • St John's Church of England Primary School (Crossens) • St John's Church of England Primary School (Waterloo) • St Mary's Catholic Primary School • St Oswald's Church of England Primary School • St Philip's Church of England Controlled Primary School • St Philip's Church of England Primary School • Thomas Gray Primary School • Trinity St Peter's CofE Primary School • Waterloo Primary School • Woodlands Primary School
Other	
National Association of Virtual School Heads - Peer review (November 2022)	Moderate

In March 2022, Ofsted conducted an inspection of Sefton Local Authority Children's Services, which was given an overall rating of Inadequate. The Ofsted report included the following actions in relation to Education Services: -

- Children in care and care leavers are not well supported to make good educational progress.
- Too many care leavers are not accessing employment, education, or training. There are too few apprenticeships for care leavers.

3.44 Based upon the work undertaken by Internal Audit in respect of 2022/23, taking into account both internal audit work and external assurance available, the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the schools' framework of governance, risk management and control are:

Overall School Opinion 2022/23	ADEQUATE
Potential for Improvement	ADEQUATE

3.45 We have undertaken a similar assurance map for the Council's wholly owned companies which have helped to shape the Organisation's overall opinion.

Council Owned Companies

Sandway Homes	Audit Opinion
Anthony Collins (Solicitors) - Governance Arrangements (December 2021)	Moderate
SMBC Internal Audit - Governance and Risk Management (January 2023)	Moderate
SMBC Internal Audit - Financial Sustainability (June 2023)	Moderate
Considerate Constructors (April 2021)	Minor
Beever and Struthers - Financial Statements for the Year Ended (March 2023)	Minor

Sefton Hospitality Operations Ltd (SHOL)	Audit Opinion
SMBC Internal Audit - SHOL Governance and Risk Management (June 2023)	Limited Assurance
Unaudited Financial Statements (December 2022)	Minor
Sefton New Directions	Audit Opinion
SMBC Internal Audit - Governance and Risk Management (June 2023)	Limited Assurance
Beever and Struthers - Payroll Audit (October 2022)	Moderate
Croner - Health and Safety (May 2023)	Moderate
Croner - Fire Risk Assessments (November 2022)	Moderate
Care Quality Commission - James Dixon Court (October 2020) *	Moderate
Care Improvement Associates - CQC Mock inspections (March 2023)	Minor
Hazlewoods LLP - Financial Statements (December 2022)	Minor
HRMC (June 2023)	Minor
Care Quality Commission - Chase Heys Resource Centre (February 2022) *	Minor
* CQC reviewed the information and data available to them about the service on 4 May 2023 and found no evidence to reassess the rating at this stage. They will Continue to monitor information about this service	

3.46 We have split the assurance Sefton Council Service Areas, internal and external into two separate tables detailed below.

Sefton Council Service Areas External Assessments

Major

Corporate Resource

- General Registrar's Office (Self-Assessment) – HM Passport Office (April 2023)

Children Services

- Inspection of Sefton Local Authority Children's Services - Ofsted (March 2023)

Operational In-House Services

- TEC Services (Assistive Technology) - Transportation Security Administration (January 2023)
- King's Gardens, Southport - Green Flag Award – (October 2022)

Moderate

Corporate Resource

- ICT - Local Government Association, Cyber 360 (October 2022)
- ICT - Microsoft CSAT assessment (July 2022)
- Property and Building Services - Government Internal Audit Agency (February 2023)

Strategic Support

- Complaints - Local Government and Social Care Ombudsman (July 2022)
- FOI/Subject access request - Information Commission Office (March 2023)

Children Services

- Section11 Audit of Organisational Safeguarding Arrangements (Self-Assessment) - Safeguarding Children Partnership (November 2022)

Economic Growth and Housing

- Employment & Learning: Quality Assurance Improvement Visit - Greater

Adult Social Care

- Adult Social Care Outcomes Framework – NHS (October 2022)
- Preparation for Assurance Peer Challenge - Local Government Association (July 2022)

Minor

Corporate Resource

- ICT - Public Services Network (PSN) Accreditation - Cabinet Office (January 23)
- Finance - Ernst & Young LLP (December 2021)
- Corporate Personnel L&D - Open Awards – (April 2023)
- Customer Centric Services - Customer Service Excellence (January 2023)

Children Services

- Springbrook Children's Home - Ofsted (February 2023)

Economic Growth and Housing

- Building Control – Local Authority Building Control (March 2023)
- Employment & Learning - Matrix Standard Department for Education's – (February 2023)
- Employment & Learning - Annual Quality Review – Ascentis (January 2023)
- Employment & Learning - Functional Skills Assessment audit – NCFE Quality Zone (October 2022)

Communities

- Supporting Families - Department for Levelling Up, Housing and Communities (January 2023)
- The Atkinson Arts Centre - Visit England (December 2022)
- Crosby Lakeside - Adventurous Activities Licence Authority (March 2023)
- Bootle Leisure Centre - Royal Lifesaving Society (April 2023)

Highways and Public Protection

- Pollution Control - DEFRA (July 2022)
- Enforcement Food Hygiene & food standards - Food Standard Agency (February 2023)
- Parking Services – DVLA (May 2022)

Operational In-House Services

- Burials and Cremations – Institute of Cemetery and Crematorium Management (September 2022)
- Southport Crematorium Chimney Emissions – Davies & Co. (Environmental) Limited (November 2022)
- Vehicle Maintenance and Fleet Management – DVSA (April 2023)
- EPR (Extended Producer Responsibility) Compliance Assessment – Environment Agency (November 2022)
- Sefton Arc Security & Fire Safety - National Security Inspectorate (January 2023)
- Sefton Arc Guarding Gold Surveillance - National Security Inspectorate Gold Guarding (January 2023)

3.47

Sefton Council Service Areas – Internal Audit Reports

Major

Corporate Resource

- Education Finance – Schools Regulatory Framework - (*August 2022*)

Operational In-House Services

- SeftonArc Security Services – (*March 2023*)

Highways and Public Protection

- Highways Maintenance – (*June 2022*)

Education

- SEND (Special Educational Needs and Disabilities) Review – Internal Audit - (*October 2022*)

Cross Cutting

- Direct Payments – (*February 2023*)
- Corporate Governance – (*September 2022*)

Moderate

Corporate Resource

- Business Rates – *(December 2022)*
- Debt Management – Accounts Receivable (Sundry Debtors) – *(March 2023)*
- Energy Price Cap Payments – *(February 2023)*
- Waiver Process (Procurement) – *(April 2023)*
- Risk Management Review – *(April 2023)*
- Schools Budget Monitoring – *(November 2022)*
- Climate Emergency – *(January 2023)*

Operational In-House Services

- Cleansing Vehicles - Key Management – *(April 2023)*
- Fleet Maintenance – *(March 2023)*
- Golf Club Income – *(November 2022)*

Adult Social Care

- Adult Social Care (ASC) - Debt Management – *(April 2023)*

Communities

- Aiming High – *(October 2022)*

Minor

Corporate Resource

- Council Tax – *(June 2022)*
- Business rates - *(December 2022)*

Economic Growth and Housing

- Covid 19 Omicron Variant Grant – *(January 2023)*

Highways and Public Protection

- Performance Management – *(October 2022)*

Operational In-House Services

- Beach Parking Income – *(November 2022)*
- Goods Vehicle Operator Licence – *(October 2022)*

3.48 The assurance mapping exercise was used in the development of the Annual Audit Plan for 2022/23 as well as the 2023/24 Annual Audit Plan. We have used this data for the assurance mapping exercise to the Corporate Risk Register in the summer 2023. We are currently considering how to improve the Assurance Mapping during 2023/24 to look at weighting of the assurance to reflect the relative independence of the review as well as further refinements.

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 2021/22 and 2020/ 21 actuals) is:

Description and Purpose	Target	Actual 2020/21	Actual 2021/22	Actual 2022/23	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%	63%	62%	82%	<ul style="list-style-type: none"> • Resourcing issues as discussed in 3.7 • Sickness and absences as discussed in 3.8
<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 3.8 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.
- 5.4 Due to the scale of staff absences during 2022/23 it was not possible to complete the planning for the external validation although it is planned to take place in Quarter 4 2023/24. It should be noted that as a result the Internal Audit no longer complies with the PSIAS.

Quality Assurance and Improvement Programme (QAIP)

- 5.5 During 2022/23, 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.
- 5.6 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 2022/23, 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 2022/23 is:

Overall Opinion 2022/23	ADEQUATE
Potential for Improvement	ADEQUATE

6.2 There is a separate opinion for Schools in accordance with CIPFA's guidance on Internal Audit which is:

Overall School Opinion 2022/23	ADEQUATE
Potential for Improvement	ADEQUATE

6.3 This opinion is based on the following:

- An assessment of the range of individual opinions arising from audits delivered by Internal Audit during 2022/23. 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 2022/23 financial year (EY Audit Results Report, to be presented to Audit and Governance Committee in November 2023)
- 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.
- 6.4 It is vital that the Council builds on the progress made during 2022/23 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.
- 6.5 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 2023/24 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 however there is some issues that stem from time taken to recruit which reflect the post Covid-19 job market which will impact on the recruitment of internal audit staff. The external operating environment, particularly continues to be challenging, with the existing risks of inflation, supply chain and cost of living pressures still having a significant 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.