

Annual Report and Opinion of the Chief Internal Auditor 2023/24

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 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.
- 1.3 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.
 - 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.
- 1.4 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.
- 1.5 We have built on the approach we used last year to build the Opinion and developed our Assurance Mapping further. We have developed assurance mapping on the Corporate Risk Register, which was provided to Audit and Governance Committee in March 2024 to build a greater understanding and transparency on risk, control and mitigation. We are continuing to explore how the three lines model could be adopted in the Council which would build further on embedding risk and control within the organisation and enhancing governance.
- 1.6 In respect of 2023/24, 78 engagements were completed comprising 61 on behalf of the Council and 17 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
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Organisational Risk Opinion	Number of Council audits	School audits	Council and school audits
MAJOR	2	0	2
MODERATE	14	15	29
MINOR	7	2	9
NEGLIGIBLE	0	0	0
ASSURANCE PROVIDED	38	0	38
TOTAL	61	17	78

1.7 Based upon the work undertaken by Internal Audit in respect of 2023/24, 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 2023/24	ADEQUATE
Potential for Improvement	ADEQUATE

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

Overall, School Opinion 2023/24	ADEQUATE
Potential for Improvement	ADEQUATE

1.9 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 A key consideration is if sufficient internal audit work has been completed 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 In arriving at this opinion, this report sets out:
- A summary of the Internal Audit work undertaken during 2023/24
 - 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 2023/24 for the Council and Schools.
 - A look ahead to the Internal Audit Plan 2024/25.
- 2.7 We 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.

- 2.8 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.
- 2.9 It is confirmed that there was no impairment to internal audit objectivity during 2023/24.

3. Summary of Work Completed

Background

- 3.1 The Internal Audit Plan 2023/24 was approved by the Audit and Governance Committee on 15 March 2023. Two revisions to the Internal Audit Plan were approved by the Committee during the year (September 2023 and March 2024). 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 2023/24, 78 pieces of internal audit work were completed, 61 for the Council and 17 for schools.

3.6 The audit opinions given during the year are shown in the table below. Reports issued to clients at draft stage are included because it is relatively rare for the risk opinion to be revised on receipt of feedback from the client.

Table 1 List of Audits undertaken and the Audit Opinions between 1 April 2023 and 31 March 2024

Organisational Risk Opinion	Audit Title	Schools
MAJOR	<ul style="list-style-type: none"> • Sandway Homes – Financial Sustainability 22/23 - Council • Damp and Mould – Council Owned Properties 	
MODERATE	<ul style="list-style-type: none"> • Procurement – Waivers (22/23) • Risk management (22/23) • Fleet Management (22/23) • ASC Debt Management (22/23) • Cleansing Vehicles – Keys Management (22/23) • Covid-19 grants process (22/23) • Data Protection – Data Breaches (22/23) • Corporate Governance Review 22/23 • Sandway Homes – Financial Sustainability 22/23 – Company • Damp and Mould - Private Rented • Grants Management • Petty Cash • ASC -Market Sustainability • Sefton New Directions 22/23 	<ul style="list-style-type: none"> • Green Park Primary School • All Saints School • Newfield School (Draft) • St Robert Bellarmine School • Springwell Park Primary School • Marshside School • Holy Rosary School (Draft) • Woodlands Primary • Netherton Moss • St Edmund’s and St Thomas’ Primary • Our Lady Star of the Sea • Freshfield Primary (Draft) • St John Bosco Primary (Draft) • Crosby High School • Our Lady of Compassion (Draft)
MINOR	<ul style="list-style-type: none"> • Housing Benefits and Council Tax Reduction Scheme (22/23) • Recycling Credits (22/23) • Highways Maintenance Procurement 22/23 • Investment in Highways (22/23) • Pupil Place Planning • Public Health Commissioning – Living Well • Climate Emergency (Draft) 	<ul style="list-style-type: none"> • Birkdale Primary School (Draft) • St Nicholas Primary

Organisational Risk Opinion	Audit Title	Schools
NEGLIGIBLE	<ul style="list-style-type: none"> • N/A 	
ASSURANCE PROVIDED	<ul style="list-style-type: none"> • Assurance Mapping • Mayors Charity 2022/23 • Adult Social Care Budget Management 2022/23 • Reconciliation Assurance Document Management System • Emergency Planning and Business Continuity • Home Upgrade Grant Phase 1 (HUG1) Project Closure • Governance Assurance Statements - summary <p>Assurance of Combined Authority and Central Government Grants to facilitate certification.</p> <ul style="list-style-type: none"> • Bootle Area Action Plan 2022/23 Q4 • Lord Street 2022/23 Q4 • TT Cables Q 22/23 • Marine Lake Event Centre Q4 22/23 • Supporting Families 2022/23 Q4 • Biodiversity Net Gain Grant 2022/23 s31 Grant • Urban Traffic Control 2022/23 Q4 • Crosby Lakeside Adventure Centre 2022/23 Q4 • Southport Eastern Access Corridor - Q4 • Maritime Corridor 2022/23 Q4 • City Region Sustainable Transport Settlement Grant - 2022/23 Q4 • Bootle Area Action Plan 2023/24 Q1 • Southport Eastern Access Corridor 2023/24 - Q1 	

Organisational Risk Opinion	Audit Title	Schools
	<ul style="list-style-type: none"> • Maritime Corridor 2023/24 - Q1 • Crosby Lakeside Adventure Centre 2023/24 – Q1 • Southport Events Centre and Theatre 2022/23 – Q2 • Southport Events Centre and Theatre 2021/22 – Q3 • Southport Events Centre and Theatre 2021/22 – Q2 • CRSTS Highways and Non-Highways Maintenance Work 2023/24 - Q1 Claim • Maritime Corridor 2023/24 - Q2 Claim • Southport Eastern Access Corridor 2023/24 - Q2 Claim • RSTS Highways and Non-Highways Maintenance Work 2023/24 - Q2 Claim • Urban Traffic Control 2023/24 - Q2 Local Authority Delivery Phase 3 (LAD3) Project. • Southport Eastern Access Corridor 2023/24 - Q3 Claim • Maritime Corridor 2023/24 - Q3 Claim • Bootle Area Action Plan 2023/24 - Q2 Claim • Bootle Area Action Plan 2023/24 • RSTS Highways and Non-Highways Maintenance Work 2023/24 - Q3 Claim • Crosby Lakeside Adventure Centre 2023/24 – Q2 Claim • Crosby Lakeside Adventure Centre 2023/24 – Q3 Claim • Supporting Families Q4 	

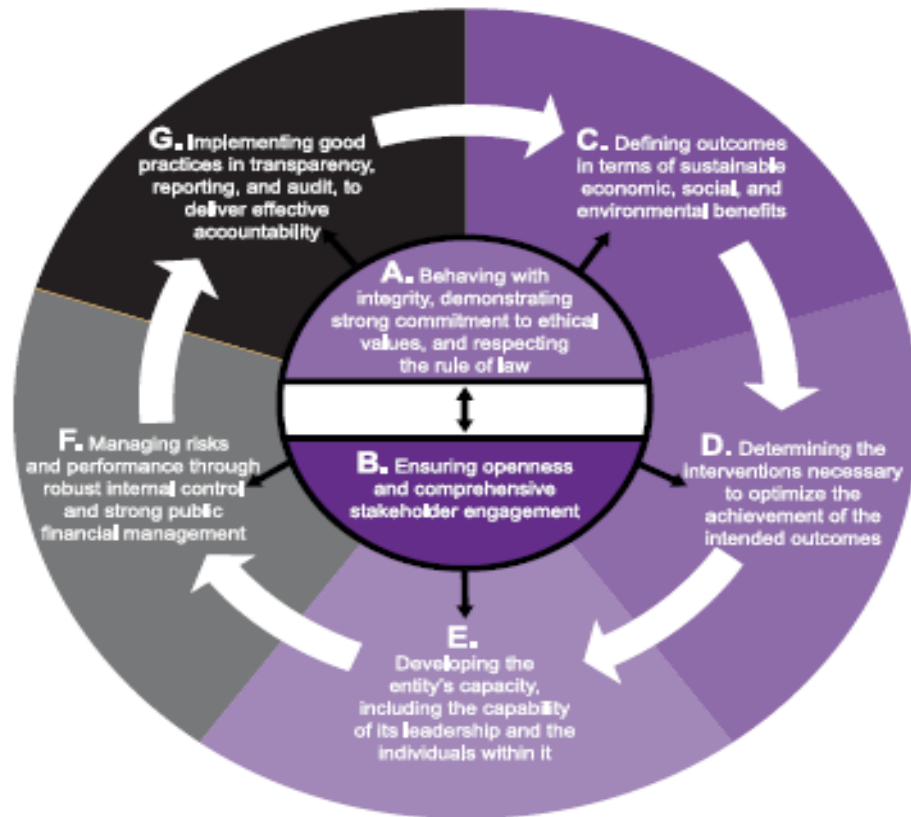
3.7 The delivery of the audit plan has been affected by resourcing issues which have arisen during the year partly as a result of issues beyond the Team's control.

- As part of the audit planning process, it was assumed that a newly qualified CIPFA apprentice (one Full time Equivalent (FTE)) would join the Internal Audit team from July 2023 for two years. The 2023/24 Audit Plan was presented to and approved by this Committee based on this assumption. Due to resourcing requirements elsewhere in the finance service this resource did not become available so could not transfer to Internal Audit in the year.
 - It was hoped that recruitment of a Principal Auditor, which started in January 2023 would be completed by July 2023 however no suitable candidates were identified. Approval was sought and obtained to recruit to the vacant post through use of a recruitment agency. This proved to be successful, and an individual was appointed and joined the team in January 2024, six-months after originally planned.
- 3.8 More than 50-days (6% of the plan) has been spent on fact-finding work to support Children's Social Care.
- 3.9 A positive for the year was the relatively low level of sickness in the team with nine days lost compared with 148 days lost in 2022/23 and 71 the year before in 2021/22.
- 3.10 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 as inflation has remained above the Bank of England's 2% target, demand for services has outstripped growth in resources, household budgets are squeezed, the labour market has shrunk post pandemic and geopolitical tensions have focused government resources. There has been an ongoing focus on Children's Services following the Ofsted report and follow up monitoring reports.
- 3.11 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.
- 3.12 During the year we requested additional temporary resources with the hope to quickly recruit two Principal Auditors in January 2024 for up to six months. The first suitable Principal Auditor was appointed in April 2024 and the second started in June 2024, after then end of 2023/24 financial year.

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) 2023/24 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 2022/23 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, Assistant Directors, 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 Assistant Directors.

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 two of these will feature in the draft Annual Governance Statement 2023/24 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.

A refreshed and focussed Transformation and Improvement Plan for Children and Young People was launched during 2023/24 which focusses on five clear priorities.

OFSTED completed three monitoring visits to Children's Services during 2023/24. The most recent visit in February 2024 stated "senior leaders have made steady progress in strengthening a number of areas of practice for care leavers, from a very low starting point. Despite some improvements, the pace of progress in some areas of practice has been too slow."

Significant Governance Issue 2

Sefton Council's High Needs budget continued to face severe cost pressures and was overspent in 2023/24, increasing the accumulated deficit balance on High Needs to over £35m.

The budget report presented to Cabinet in April 2024 states that "the increase to the High Needs funding allocation for 2024/25 is well below the 2023/24 expenditure and increases in new demand for Education, Health and Care plans (EHCPs) in 2024/45 will make the overspending situation even more acute in 2024/25".

The increasing deficit has had a significant impact on the Council's cash flow position and represents a risk to the Council's financial sustainability, should a new government not address the system and funding reform required as part of the review of the statutory override that is due to come to an end in 2026, which current sees this deficit ring-fenced away from the general fund.

- 3.16 The review of corporate governance arrangements also generated six 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.
- 3.17 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 2022/23 SGIs as well as the lower risk recommendations from the corporate governance report.
- 3.18 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

- 3.19 So that the Council is best placed to deliver its Corporate Plan 2023 to 2026, 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/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.
- 3.20 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 Team have introduced a checklist to ensure compliance of the various risk registers in accordance with the Corporate Risk Management Handbook and good risk management practice. The results of the checklists are being fed back to relevant risk owners. This is increasing engagement with those risk owners and encouraging robust reviews.
 - Following approval of the Council’s Risk Appetite by the Audit and Governance Committee, Democratic Services and the Chief Legal Officer are considering how best to integrate risk appetite into Committees’ decisions e.g., inclusion in the meeting header sheet.
 - The Team have worked with the Energy Team to assist in the development of service climate change risk assessments methodology and to ensure that there is a cross over into the Council’s corporate risk management framework on climate change where appropriate.
 - The Team have met with each of the risk owners from the Corporate Risk Register to identify Key Risk Indicators (KRIs). These indicators provide early signals of increasing risk exposures for each Corporate Risk and should be utilised effectively to understand where additional or fewer risk responses are required. The Key Risk Indicators will be provided to the Audit and Governance Committee in September 2024.
 - A phased approach to the development of Operational Risk Registers (ORRs) in Children’s Social Care to improve alignment to the Council’s Corporate Risk Management Framework.
 - Work has been undertaken to apply assurance mapping using the three lines model to the Corporate Risk Register.
 - All Service areas have a Service Risk Register (SRR) in place and with one exception are regularly updating the SRR.
 - A presentation since December 2020 at the Audit and Governance Committee on one of the risks from the Corporate Risk Register.
 - A significant review of the Corporate Risk Register was completed in November 2023 streamlining the number of risks monitored by the Strategic Leadership Board and the Audit and Governance Committee.
 - Publication of the Corporate Risk Register after each Audit and Governance Committee meeting on the Council’s intranet page.
 - Work has continued to develop and fine tune an e-learning training programme which is due to be completed in summer 2024.
 - An integral part of each internal audit is evaluating the auditee’s team’s use of risk management in the area under review.

- Assurance map developed for the Council's Corporate Risk Register which was presented to Executive Leadership Team (ELT) and Audit and Governance Committee in March 2024.
- A revised monitoring process was put in place in January 2024 with the CRR being provided to Executive Leadership Team and SLB before being provided to Audit and Governance Committee. With the decisions on inclusion and removal of risks moving from SLB to ELT.
- Following the approval of the Risk Appetite Framework (RAF) in March 2023 by SLB and Audit and Governance Committee training has been devised and delivered to all senior managers who report to the Assistant Directors on the RAF. We are currently waiting for the revised Committee header before risk appetite can be rolled out and
- embedded.

3.21 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 less engagement in 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 Service 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. During 2023/24 there has been a consistent picture of 8/10 SRRs being updated regularly with Children Services, since February 2023, and on one off occasions an additional Service Area not completing the review during the year. When compared to the previous year in totality this is an improvement. Embedding risk management consistently across all Service areas remains a focus. Further work is taking place 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 with Cabinet Members, which remain areas to strengthen, as well as providing monitoring on progress to the Executive Leadership Team (ELT) and Strategic Leadership Board (SLB).

3.22 In previous years the Corporate Risk Register (CRR), although it is provided to Assistant Directors and Executive Directors every quarter, not all risks, scores and mitigating actions are updated quarterly with the final version shared with ELT, SLB and the Audit and Governance Committee. Improvement this year is the reduction of the numbers of risks in the CRR which was highlighted in the previous opinion. With a limited number of risks identified in the CRR and the significant challenges in the in the Council's strategic and operating environment there remains a judgement to be made by management on whether the CRR accurately reflects the current issues that are happening now or the future risks that have not occurred yet. The Insurance Team have arranged for a horizon scanning session, arranged through the Council's material damage insurer, with ELT to help provide assurance that the CRR picks up risks in the moment as well as in the next three to five year window. The picture on consistent updating of risk content is similar to previous years, outside of the major update in November 2023, and there should be a continual focus on ensuring further actions, to reduce the impact and likelihood of the risk to the target score, are SMART.

- 3.23 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, commissioned a review of the Council's risk management arrangements.
- 3.24 The Risk Management Health Check Review, conducted by Gallagher Bassett, the Council's claims management provider and approved by the Audit and Governance Committee for the 2023/24 Internal Audit Plan, assessed Sefton Council's risk management framework. The Chief Internal Auditor has management responsibilities for Risk and Resilience team which includes operational risk management, integral to the review. The CIA maintains independence during the audit review through the Internal Audit Manager having responsibility for managing the relationship with the Gallagher Bassett consultant. A draft report has been received and will be responded to by the Chief Internal Auditor in due course. The key recommendations from the review are:
- Providing more developmental opportunities for staff at all levels to raise understanding particularly amongst front line leaders.
 - Updating the Corporate Risk Management Handbook (and appendices) so that it is more user friendly and is clearly recommunicated and available.
 - Raising the profile of risk management by publicly celebrating risk management successes within the Council, as well as publishing lessons learned from failures.
 - Identifying ways of integrating risk management more overtly so people are aware it's importance within their roles.
 - If cross cutting operational risks are being adequately identified and evaluated in a collective / corporate way.
 - In the longer term continue to develop the suite of KPI's associated with measuring the performance of the risk management journey and how it can be used more proactively to exploit opportunities.
- 3.25 It is important that during 2024/25, 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 2024/25 includes the potential adoption of the three lines of defence model , implementing the recommendations from the risk management review which will help to further integrate and embed risk management.
- 3.26 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

- 3.27 Of the 78 (2022/23 - 106) pieces of audit work completed during the year, 40 (2021/22-39) 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 two audits during the year with a “Major” Organisational Risk Opinion

Sandway Homes – Financial Sustainability 22/23 - Council

- 3.28 High priority recommendations are made in relation to the loan agreement between the Council and the company to ensure that it is brought up to date with current legislation, states the approved peak debt and that roles and responsibilities for enforcing the conditions of the agreement are clarified.

Damp and Mould – Council Owned Properties

- 3.29 High priority recommendations are made in respect of the small number of properties owned by the Council and managed by Green Sefton. These include developing policies and procedures defining roles and responsibilities, introducing annual assessments of damp and mould in the properties and new processes for monitoring and reporting to management and Members.

Implementation of recommendations

- 3.30 Analysis of data provided in December 2023 shows that from a total of 657 agreed actions for 2018/2019 – 2022/2023 financial years, 543 (83%) of agreed actions have been implemented with 108 (16%) of agreed actions still outstanding and for six (1%) of agreed actions, the implementation date was not due for review. A review of the outstanding actions from all audits between 2018/2019 to 2022/2023 financial years indicates that there continues to be some delays in progressing a proportion of the agreed actions across the Council.
- 3.31 During the follow up exercise, the Audit team were unable to obtain a response for 20 (3%) of the overall agreed actions from the Service Areas. The Audit and Governance Committee were informed in March 2024 that following a second phase of the follow up exercise, all of the Service Areas responded to provide an update. From the 20 outstanding agreed actions, 17 (85%) have been implemented and closed, three (15%) have been set with a new implementation date. Overall, it can be characterised that progress in implementing has been good although there are pockets where performance has been slower than anticipated with Covid-19 playing a part.

Counter-Fraud

- 3.32 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 was approved by Cabinet in the year.

3.33 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

3.34 The Policy states that the Chief Internal Auditor must be notified of any suspected fraud or irregularity. A significant piece of work was undertaken to establish whether a suspected fraud had taken place by an agency worker. There was no fraud detected but other control issues were identified and highlighted to management.

Assurance Mapping

3.35 A key consideration is if sufficient internal audit work has been completed 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.

3.36 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."

3.37 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 inform the Annual Internal Audit Plan. The exercise was undertaken in Q4 2023/24 and involved identifying for each service area sources of external assurance. 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 2021 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.

3.38 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.*"

3.39 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
None	None
Moderate	
Internal	Ofsted
<ul style="list-style-type: none"> • All Saints School • Crosby High School • Green Park Primary School • Holy Rosary School • Marshside Primary • Netherton Moss • Newfield School • Our Lady Star of the Sea • Springwell Park Primary • St Edmund and St Thomas Primary • St John Bosco Primary • St Robert Bellarmine School • Woodlands Primary School • Freshfield Primary (Draft) • Our Lady of Compassion (Draft) 	<ul style="list-style-type: none"> • Linacre Primary School • Linaker Primary School
Minor	
Internal	Ofsted
<ul style="list-style-type: none"> • Birkdale Primary School • St Nicholas Primary 	<ul style="list-style-type: none"> • Aintree Davenhill Primary School • Christ Church of England (CoE) controlled Primary School • Christ The King Catholic High School and Sixth Form Centre • Crosby High

	<ul style="list-style-type: none"> • Farnborough Road Infant School • Farnborough Road Junior School • Forefield Community Infant and Nursery School • Great Crosby Catholic Primary School • Hudson Primary School • Melling Primary School • Newfield School • Northway Primary School • Rimrose Hope CofE Primary School • Springwell Park Community Primary School • St Benedict s Catholic Primary School • St Edmund’s and St Thomas’ Catholic Primary School • St Elizabeths Catholic Primary School • St Jerome's Catholic Primary School • St John's Catholic Primary School • St Philip's Church of England Primary School • Summerhill Primary School • The Grange Primary School • Valewood Primary School
Other	
National Association of Virtual School Heads - Peer review (November 2022)	Moderate
<p>In March 2022, Ofsted conducted an Inspection of Sefton Local Authority Children’s Services, which was given an overall rating of Inadequate.</p> <p>The Ofsted report included the following actions in relation to Education Services: -</p> <ul style="list-style-type: none"> • 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. <p>As a result, Ofsted have conducted several monitoring visits to check progress on key issues identified. During the</p>	

fifth monitoring visit in February 2024, the below update was provided in relation to Education Services: -

- Despite some improvements, the pace of progress in some areas of practice has been too slow. The number of young people who are not in employment, education or training remains high. There are still delays in young people accessing timely, lower-level emotional and mental health support. Young people who need adult social care services do not receive these soon enough, and there is insufficient choice of accommodation for young people.
- There is insufficient pace and prioritisation to prepare and support young people into employment, education, or training. Long-standing poor educational support that children had received while in care continues to hamper young people’s readiness for work or training. This has left many young people without the skills, routines, and experiences to enable them to transition smoothly into these new employment, training, or work environments.
- There is a limited number of apprenticeships, and the corporate strength of the council is not being exploited to increase these numbers through its partnerships. The out-of-work panel has been very recently established to provide scrutiny and direction to help young people progress into work, education, or training. However, it is too soon to see the impact of this on young people.

3.40 Based upon the work undertaken by Internal Audit in respect of 2023/24, 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 2023/24	ADEQUATE
Potential for Improvement	ADEQUATE

3.41 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
Consumer Code for Home Builders - Compliance Monitoring (February 2024)	Moderate
SMBC Internal Audit - Financial Audit (October 2023)	Moderate

SMBC Internal Audit - Governance and Risk Management Process Review (January 2023)	Moderate
Beever and Struthers - Financial Statements for the Year Ended (March 2024)	Minor
Sefton Hospitality Operations Ltd (SHOL)	Audit Opinion
SMBC Internal Audit - SHOL Governance and Risk Management (December 2023)	Major
Unaudited Financial Statements (December 2023)	Minor
Sefton New Directions	Audit Opinion
SMBC Internal Audit - Governance and Risk Management (June 2023)	Moderate
Beever and Struthers - Payroll Audit (October 2022)	Moderate
Croner - Health and Safety (December 2023)	Moderate
Care Quality Commission - James Dixon Court (October 2020) *	Moderate
Croner - Fire Risk Assessments (December 2023)	Minor
Hazlewoods LLP - Financial Statements (December 2023)	Minor
Shared Lives PLUS - CQC Mock inspections (August 2023)	Minor
HRMC (June 2023)	Minor

Care Quality Commission - Aintree Lane (June 2019) *	Minor
Care Quality Commission - Chase Heys Resource Centre (February 2022) *	Minor
Care Quality Commission - Hudson Road (January 2020) *	Minor
Care Quality Commission - Poplars Resource Centre (July 2019) *	Minor
Care Quality Commission - Reablement Service (December 2019) *	Minor
Care Quality Commission - Shared Lives and Supported Living (December 2019) *	Minor
* CQC reviewed the information and data available to them about the service on 6 July 2023 and found no evidence to reassess the rating at this stage. They will Continue to monitor information about this service	

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

Sefton Council Service Areas – External Assurance

Major
<p><u>Corporate Resource</u></p> <ul style="list-style-type: none"> • General Registrar’s Office (Self-Assessment) – HM Passport Office (April 2024) <p><u>Children Services</u></p> <ul style="list-style-type: none"> • Inspection of Sefton Local Authority Children’s Services - Ofsted (March 2024) <p><u>Operational In-House Services</u></p> <ul style="list-style-type: none"> • TEC Services (Assistive Technology) - Transportation Security Administration (September 2023)
Moderate

Corporate Resource

- ICT - QS Solutions – CAST Cybersecurity Self-Service Assessment (June 2023)
- ICT - Local Government Association, Cyber 360 (October 2022)
- Property and Building Services - Government Internal Audit Agency (February 2023)

Strategic Support

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

Education

- Music Service - Arts Council England (April 2024)

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 Merseyside Learning Providers Federation (February 2023)

Adult Social Care

- Adult Social Care Outcomes Framework – NHS (December 2023)

Operational In-House Services

- King's Gardens, Southport - Green Flag Award – (April 2023)

Minor

Corporate Resource

- Energy & Environmental Management - Salix Finance Ltd, Energy Efficient Capital Project (November 2022)
- ICT - Public Services Network (PSN) Accreditation - Cabinet Office (December 23)
- Legal - Investigatory Powers Commissioner's Office (November 2023)
- Customer Centric Services - Customer Service Excellence (January 2024)

Children Services

- Springbrook Children's Home - Ofsted (January 2024)

Economic Growth and Housing

- Building Control – Local Authority Building Control (April 2024)
- Employment & Learning - European Social Fund Article 125 Audit (April 2023)
- Employment & Learning - Customer Service Excellence (June 2023)
- Employment & Learning - NCFE Quality Zone, Management Systems and Administration (December 2023)

Communities

- Supporting Families - Department for Levelling Up, Housing and Communities (January 2023)
- The Atkinson Arts Centre - Visit England (December 2023)
- Libraries - Arts Council England National Portfolio Organisation status (May 2023)
- Libraries - Library of Sanctuary Accreditation (April 2023)
- Crosby Lakeside - Adventurous Activities Licence Authority (March 2023)
- Bootle Leisure Centre, Meadows Leisure, and Dunes Splash World - Royal Lifesaving Society (April 2023)

Highways and Public Protection

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

Operational In-House Services

- Burials and Cremations – The Federation of Burial and Cremation Authorities (March 2024)
- Southport Crematorium Chimney Emissions – Davies & Co. (Environmental) Limited (November 2022)
- Vehicle Maintenance and Fleet Management – DVSA (January 2024)
- Sefton Arc - ARC and ISO9001 (May 2023)
- Sefton Arc - Security and Fire systems (November 2023)
- Sefton Arc - NSI Gold Guarding (September 2023)

3.43

Sefton Council Service Areas - Internal Audit Reports

Major
Operational In-House Services <ul style="list-style-type: none"> • Damp and Mould – Council Owned Properties (November 2023) • Sandway Homes – Financial Sustainability 22/23 - Council (October 2023)

Moderate

Adult Social Care

- Adult Social Care (ASC) - Debt Management (April 2023)
- ASC Market Sustainability (March 2024)

Corporate Resource

- Covid-19 grants process (June 2023)
- Grants Management (November 2023)
- Risk Management Review (April 2023)
- Petty Cash (April 2024)

Cross cutting

- Corporate Governance Review (October 2023)

Economic Growth and Housing

- Damp and Mould - Private Rented Properties (November 2023)

Operational In-House Services

- Cleansing Vehicles Key Management – (April 2023)
- Fleet Maintenance (March 2023)

Strategic Support

- Data Protection, Data Breaches (August 2023)
- Review of Waiver Process, Procurement (April 2023)

Minor

Corporate Resource

- Housing Benefits and Council Tax Reduction Scheme (June 2023)
- Climate Emergency, Draft (April 2024)

Education

- Pupil Place Planning (March 2024)

Highways and Public Protection

- Highways Maintenance Procurement, Contract Extensions (August 2023)
- Investment in the Sefton Highway Network (November 2023)

Operational In-House Services

- Recycling Credits Process (June 2023)

Public Health

- Public Health Commissioning - Living Well (March 2024)

3.44 The assurance mapping exercise was used in the development of the Annual Audit Plan for 2023/24 as well as the 2024/25 Annual Audit Plan. We have used this data for the assurance mapping exercise to the Corporate Risk Register in the winter 2024. We are currently considering how to improve the Assurance Mapping during 2024/25 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 for 2021/22 and 2022/23 is:

Description and Purpose	Target	Actual 2021/22	Actual 2022/23	Actual 2023/24	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%	62%	82%	88%	The variance is due to a combination of factors the main issue being it being agreed that resources would be diverted to undertake unplanned Children's Social Care work, and additional work to improve the assurance mapping framework have impacted on delivery of the original plan. If these work priorities had been factored into the plan then the actual achievement would have been 97%.
<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%	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%	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.

- 4.3 The Internal Audit Plan for 2024/25 includes the outcome of a re-structure of the Risk and Audit Team which includes the recruitment of one permanent Principal Auditor to provide additional capacity to provide broader assurance for the Annual Opinion. The current part time Trainee ICT Auditor is transferring to the Risk and Resilience Team and the permanent full time Trainee ICT Auditor will be recruited over the summer. Two temporary Principal Auditors were included in the annual audit plan to provide assurance capacity during the recruitment process of the above two positions. The two temporary Principal Auditors have been appointed and undertaking reviews.
- 4.4 Very prudent recruitment timescales have been used for the design of the annual audit plan however recent experience of recruitment over the past three years indicates that there is a risk that we may not be able to find suitably qualified and experienced candidates in the planned timescales.

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. The Internal Audit Team are currently obtaining quotes from CIPFA for the external review.
- 5.4 It is now more than five years since the external quality assessment and as a result, Internal Audit no longer complies with the PSIAS. Arrangements will be made to for external validation during 2024/25.

Quality Assurance and Improvement Programme (QAIP)

- 5.5 During 2023/24, 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.
 - Annual discussion and reminder to auditors regarding:
 - Code of Conduct (conflict)
 - Complying with requirements of PSIAS.
 - Assessment of skills within the team and identification of relevant development opportunities.
 - Updating of monitoring documents used to assess quality of reports.
 - Design and implementation of a planning document to be used at the planning stage to consistently improve knowledge of audit area before review starts.
 - Update the Corporate Document Retention Policy with Internal Audit document retention.
 - Use of Artificial Intelligence in the planning process which is documented in the draft and final report in line with Institute of Internal Auditors guidance.
 - Audit plan includes priority for undertaking reviews during the financial year.
 - 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 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.
- Introduction of pre-audit risk planning document.
- 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 2023/24, 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 2023/24 is:

Overall Opinion 2023/24	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, Schools Opinion 2023/24	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 2023/24. 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 2023/24 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 2023/24 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 2024/25 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. The plan for audit recruitment will assist in the delivery of the plan however there are risks associated with the timely appointment that will need to be monitored.
- 7.2 The external operating environment, particularly challenging during 2023/24, with the existing risks of inflation, supply chain and cost of living pressures will have a diminishing impact as we view the horizon for the next 12 months although the clear financial challenges for the Council will continue. The team will remain focused to deliver a broad range of assurance during the year whilst being pragmatic and flexible in our actions to support operational colleagues across the organisation 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.