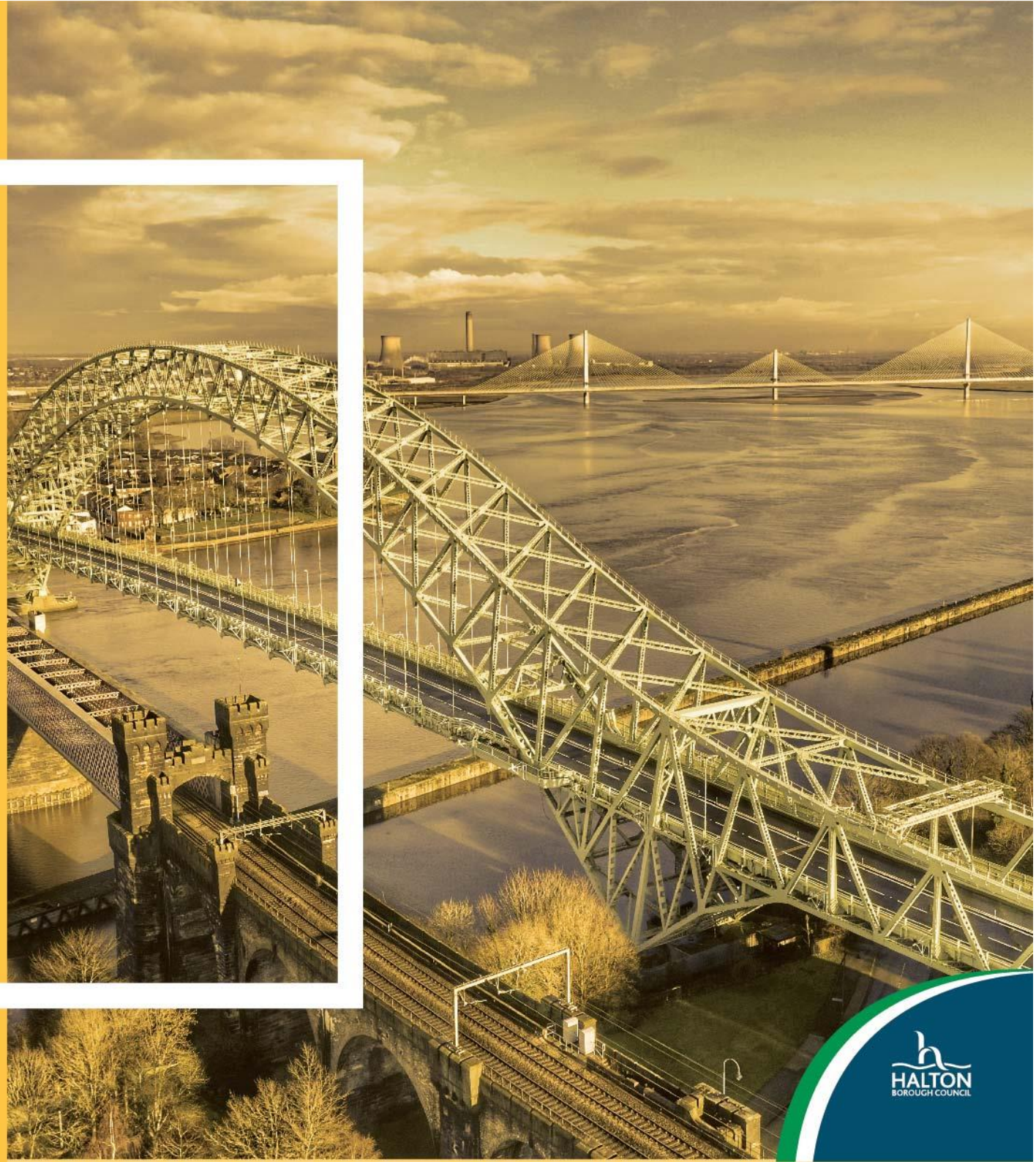


Internal Audit
Annual Report
2021/22

Audit and Governance Board

6 July 2022



Section One

Background

1.1 Introduction

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. This is achieved through delivering a risk-based plan of work (the Internal Audit Plan), which has been agreed with management and approved by the Audit and Governance Board.

The Standards require that the annual report provides:

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

1.2 Purpose of report

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

Section Two

Compliance with professional standards

2.1 Introduction

The objectives of the PSIAS are to:

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

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

Internal audit services are required to have an external quality assessment every five years. The Council's external assessment was last completed during 2017/18 and the overall conclusion was that the Council's internal audit arrangements substantially conform to the standards. There were no departures from these arrangements during 2021/22. Internal assessments against the standards are also undertaken periodically.

The Council's next external assessment against the standard is due to be completed later this financial year as part of a peer review process being coordinated across the North West region. This will ensure that the assessment is undertaken by an appropriately qualified and independent assessment team.

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

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

The internal audit charter is subject to annual review and is presented to the Board for information with this annual report (see Appendix A).

Section Two

Compliance with professional standards

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

During 2021/22, there have been no matters arising which have impacted on the independence of the Internal Audit service and there have been no inappropriate scope or resource limitations on internal audit work.

As previously reported to the Board, the Head of Internal Audit also has managerial responsibility for a number of other finance functions. Arrangements to safeguard the independence of Internal Audit are however well-established and have previously been reported to and agreed by the Board. Details of these arrangements are presented again in Appendix B to this report. These arrangements have operated effectively throughout the year.

No audits were completed during the year that included coverage of areas for which the Head of Internal Audit also had some operational responsibilities.

2.4 Proficiency and Due Professional Care (PSIAS standard 1200)

All audit engagements carried out during the year were completed with appropriate proficiency and due professional care. Work was allocated to auditors on the basis of the knowledge, skills and competencies needed to perform individual specific assignments.

2.5 Quality Assurance and Improvement Programme (PSIAS standard 1300)

The development and maintenance of a Quality Assurance and Improvement Programme (QAIP) is a requirement within PSIAS.

The purpose of the QAIP is to ensure that the Internal Audit service operates in accordance with PSIAS and the Local Government Application Note (LGAN) and maintains consistently high standards.

Key elements of the quality assurance arrangements in operation during 2021/22 are described below:

- The Internal Audit team is made up of appropriately trained and qualified staff with significant local government experience. The majority of the team are members of professional institutes and all members of the team comply with ethical rules, technical standards and professional practice laid down by those bodies;
- Internal audit work is based upon a detailed risk-based audit plan, which is agreed in consultation with management and is approved by the Audit and Governance Board;
- Internal Audit employs an audit methodology that is in accordance with professional standards;

Section Two

Compliance with professional standards

- Terms of Reference are developed with key stakeholders for each audit assignment, which set out the agreed coverage;
- Daily team meetings take place to discuss progress and issues relating to the completion of audit engagements;
- Robust management review is undertaken of all audit files and reports prior to issue;
- There is a system of regular reporting of progress against the plan to the Audit and Governance Board;
- All Internal Audit staff complete annual declarations confirming their compliance with the Code of Ethics;
- There is a commitment to the continuing professional development of all internal audit staff through a range of learning and development opportunities. These include professional training, on the job training, e-learning, webinars and attendance at relevant training events and workshops.

Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area. It is also an important means of identifying aspects of the audit process that can be improved. The feedback received from the surveys returned in the year was very positive and there were no common themes in the responses received that highlighted any particular areas for improvement.

A sample of comments received in response to the questionnaires issued during 2021/22 is included below:

- *I have worked with the auditor for many years and always found her extremely helpful in conducting audits; she is very clear and very helpful in recommendations. She is very professional, polite and friendly and that goes a long way when working together.*
- *Our audit was completed in a supportive manner.*
- *The terms of reference were clear and I was kept informed at all stages of the audit. The recommendations will strengthen the monitoring of performance and financial management.*
- *The auditor has been a great support to the school during a turbulent time over the last few years, so I was very pleased that she conducted the audit. There was appropriate rigour and challenge but we felt supported and affirmed throughout. The action points we have been given are very clear and easily achieved. Thank you.*

Two opportunities to further develop the Internal Audit team have been identified and will be addressed in 2022/23:

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Compliance with professional standards

- A more standardised methodology to planning and undertaking internal audit engagements will be developed, documented and employed across the whole team. This will clearly set out the standards expected of the auditors and help to ensure that a more consistent approach is undertaken in regard to the completion of work.
- The two senior auditors within the team will provide more structured support, mentoring and supervision to the less experienced members of the team. This will assist with the development of staff and also help to ensure that work is undertaken in accordance with professional standards and completed within a timely manner.

2.6 Managing the Internal Audit Activity (PSIAS standard 2000)

In 2021/22 the Internal Audit team worked to an annual risk-based audit plan that was developed following consultation with senior management and the Audit and Governance Board. The plan took account of the Council's strategies, key business objectives, associated risks and risk management processes. The 2021/22 Audit Plan was formally approved by the Audit and Governance Board in March 2021.

Regular reports are presented to senior management and the Audit and Governance Board on Internal Audit team's purpose, authority, responsibility and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. The regular progress reports presented to the Board throughout 2021/22 highlighted any significant risk and control issues, fraud risks, governance issues and other matters that require the attention of senior management and/or the Board.

2.7 Nature of Work (PSIAS standard 2100)

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

2.8 Engagement Planning (PSIAS standard 2200)

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

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Compliance with professional standards

2.9 Performing the Engagement (PSIAS standard 2300)

Robust planning, monitoring and review arrangements operated throughout 2021/22 to ensure that an appropriate level of work is undertaken in each engagement in order to achieve the engagement's objectives. Procedures include management sign off of each terms of reference, daily updates on progress with assignments, detailed file review, and management review of draft audit reports.




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

2.10 Communicating Results (PSIAS standard 2400)

Results of all audit engagements are communicated as appropriate. The Council's Chief Executive, Strategic Director – Enterprise, Community & Resources, and the Operational Director – Finance receives full copies of all audit reports. The relevant Operational Director, Divisional Manager and other managers, as appropriate, also receive full copies of reports. The Audit and Governance Board receives summary copies of each report completed in the regular progress reports to the Board. Significant issues identified through audit work are also highlighted to the Board.

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

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

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

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Compliance with professional standards

An overall annual internal audit opinion is also delivered. This is largely informed by the work completed by Internal Audit during the year and is used by the Council to inform its governance statement. The annual internal audit opinion provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and forms part of this annual report (see section 3).

2.11 Monitoring Progress (PSIAS standard 2500)

Internal Audit has established a follow-up process to monitor and ensure that management actions have been implemented effectively or that senior management has accepted the risk of not taking action. A full follow up audit is completed for all audits that do not receive a 'substantial assurance' opinion. The results of the 'follow-up' audits are reported to the Audit and Governance Board through the regular system of progress reporting.

2.12 Communicating the Acceptance of Risks (PSIAS standard 2600)

In the event that management accepts a level of risk that Internal Audit considers may be unacceptable to the Council, the issue would be raised appropriately with senior management and brought to the attention of the Audit and Governance Board if the matter is not resolved satisfactorily. However, no such issues arose in the course of 2021/22.

Section Three

Annual audit opinion

3.1 Basis of Opinion

The annual opinion is based on the following sources of information:

- Review of the risk management arrangements within specific business areas;
- The work of Internal Audit in reviewing the Council's governance arrangements and annual review of the Constitution;
- Assessment of the range of audit assurance opinions arising from audit assignments that have been reported to the Audit and Governance Board throughout the year. This assessment has taken account of the relative materiality of each area audited;
- Assessment of management's responses to Internal Audit's recommendations and the progress made in addressing risks and issues identified through internal audit work;
- Cumulative organisational knowledge through audit work, advice and liaison with the Council's senior management.

3.2 Coverage and output

Internal audit delivered 1,063 days of audit work during 2021/22 against the Audit Plan which budgeted for 1,060 days.

As reported in the progress reports to the Board throughout the year, numerous changes to planned coverage were required in order to provide assurance over the changing risks that the Council faced as a result of the ongoing pandemic. Also, as in 2020/21, some planned audit work needed to be deferred to minimise the impact on services at the frontline of the Council's pandemic response. Information on the audits deferred, and those that were ongoing at the financial year-end, was previously reported to the Board at its meeting on 23 March 2022.

The audit work completed during the year was therefore significantly different to that originally planned. However, under the circumstances, it was appropriate for Internal Audit's coverage to reflect the Council's changing risk environment. This is important in terms of adding value to the organisation and in ensuring that a robust annual audit opinion can be provided. The work completed is therefore considered sufficient and wide-ranging enough to support the annual audit opinion.

Appendix C provides a list of the audit reports issued in the year, a summary of the audit assurance opinions provided, and the dates that the reports were presented to the Audit and Governance Board.

Comparative information is provided in the following table for the three preceding financial years.

Section Three

Annual audit opinion

Financial year	No. of audit days	Substantial Assurance	Adequate Assurance	Limited Assurance	Total
2021/22	1,063	48	7	2	57
2020/21	890	46	5	1	52
2019/20	684	36	6	0	42
2018/19	883	43	7	1	51

3.3 Qualifications to the Opinion

The Internal Audit Annual Opinion helps to inform the content of the Annual Governance Statement. However, it should be noted that in providing an opinion assurance can never be absolute.

Internal Audit cannot review all the risks that the Council faces and can only provide reasonable assurance that there are no major weaknesses in the Council's risk management, control and governance processes. The opinion is largely informed by the audit work completed. Weaknesses may exist in areas that did not form part of the programme of audit work, or if specific areas were excluded from the scope of individual audit assignments.

Ultimately, senior management and elected members are responsible for ensuring an effective system of internal control. It is however important to note that Internal Audit continues to enjoy a positive working relationship with senior management across the Council. Management has been supportive in terms of the work of Internal Audit and has responded positively to any recommendations made during the course of the year.

3.4 Follow-up audit assignments

Five follow-up audits were completed during the year and these are listed in Appendix D.

Follow-up audits examine the progress that management has made in addressing risks and issues identified through internal audit work. A revised assurance opinion is issued for each review, which is informed by the extent to which the issues identified in the original audit report have been addressed.

Section Three

Annual audit opinion

3.5 Issues relevant to the Annual Governance Statement

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

A recurring theme identified in the course of completing audits is the challenge faced across the whole Council in continuing to deliver services and maintain appropriate risk management, control and governance arrangements at a time of continuing funding challenges and budgetary pressures. This issue is however recognised by the Council and is consistently reported in its governance statements.

It is also noted that an Improvement Notice was issued to the Council on 13 January 2022 following the judgement that children's social care services have areas for priority action, as identified in the Ofsted Focused Visit report published on 17 November 2021. In response the Council has developed and agreed an improvement plan with Ofsted that is designed to deliver appropriate and sustainable improvement. The Department for Education will be undertaking reviews of progress against the improvement agenda at least every six months.

3.6 Overall opinion (PSIAS standard 2450)

Halton Borough Council continues to maintain adequate and effective risk management, control and governance processes. This opinion is based on the internal audit work performed during 2021/22 and from cumulative knowledge and experience of the organisation.

There has been positive engagement with management in agreeing recommendations where audit work has identified weaknesses in the design or application of controls. Action plans are in place to address all issues identified through the work of internal audit.

The results of the follow-up audits completed also provide assurance that the actions agreed in response to audit reports are implemented.

Appendices

Appendix A	Internal Audit Charter
Appendix B	Safeguarding Internal Audit Independence
Appendix C	Internal Audit work completed – 2021/22
Appendix D	Follow-up work completed – 2021/22

Appendix A: Internal Audit Charter

Background

Section 151 of the Local Government Finance Act 1972 requires that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The Council has designated this statutory responsibility to the Operational Director – Finance. As such, the Operational Director – Finance is the statutory officer responsible for ensuring that the Council's internal audit arrangements conform to the Public Sector Internal Audit Standards, which represent mandatory proper practice for internal audit in local government.

The Public Sector Internal Audit Standards require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter. The provisions contained within Section 6.2 of Finance Standing Orders shall therefore constitute the Council's Internal Audit Charter.

The purpose of the Internal Audit Charter is to:

- Define the purpose, authority and responsibility of Internal Audit;
- Establish the position of Internal Audit within the Council and its reporting lines;
- Authorise access to records, personnel and physical property relevant to the performance of the audit work; and
- Define the scope of internal audit activities.

Definitions

The Public Sector Internal Audit Standards require that the following terms are defined in respect of the internal audit function:

Internal Auditing:	An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
The Board:	The Audit and Governance Board has delegated responsibility for overseeing the work of Internal Audit. The powers and duties of the Audit and Governance Board are set out in Appendix 4 of Chapter 8 of the Council's Constitution.
Senior Management:	The Chief Executive and members of the Council's Management Team
Chief Audit Executive:	The Divisional Manager – Audit, Procurement & Operational Finance

Appendix A: Internal Audit Charter

Purpose of Internal Audit

The Accounts and Audit Regulations 2015 (Regulation 5 (1)) require that local authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Internal Audit will therefore evaluate and contribute to the improvement of risk management, control and governance processes using a systematic and disciplined approach.

Internal audit work will also seek to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Core Principles for the Professional Practice of Internal Auditing

The Public Sector Internal Audit Standards outline ten core principles for the provision of an effective internal audit:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive and future-focused
- Promotes organisational improvement

Professionalism and Ethics

Internal audit activity is governed by adherence to the Public Sector Internal Audit Standards. This guidance constitutes principles of fundamental requirements for the professional practice of internal auditing and for the evaluating the effectiveness of internal audit activity.

Appendix A: Internal Audit Charter

The Chief Audit Executive is responsible for managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

The Public Sector Internal Audit Standards contain a Code of Ethics, which is mandatory for all persons involved in internal audit activity in the public sector.

Internal auditors are also governed by the Code of Ethics of the relevant professional bodies of which they are a member, and all codes and policies operated by the Council.

All internal auditors are required to complete and sign a 'Code of Ethics and Declarations of Interest Statement' on an annual basis.

Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk.

Independence and Objectivity

Internal audit activity must be independent and internal auditors must be objective in performing their work. In order to achieve this, internal audit activity shall operate in a framework that allows:

- Internal auditors to be free from operational responsibilities, thereby ensuring independence from the activities audited;
- The Chief Audit Executive to have direct and unrestricted access to senior management and the Board;
- The Chief Audit Executive to have the freedom to report in his or her name to all officers and members.

The Chief Audit Executive is responsible for ensuring the organisational independence of internal audit activity and shall report and explain to the Audit and Governance Board on how any potential impairment to independence or objectivity will be managed.

Assurance engagements for functions over which the Chief Audit Executive has responsibility must be overseen by a party outside the internal audit activity. Internal auditors shall also have direct access to senior management, if required, to report any concerns relating to functions over which the Chief Audit Executive has responsibility.

Appendix A: Internal Audit Charter

Scope of Internal Audit

The Chief Audit Executive is responsible for providing a continuous internal audit. The scope of assurance services to be provided shall extend to the entire governance, risk management, and internal processes of the Council, comprising financial and non-financial systems.

The Chief Audit Executive will develop an annual internal audit plan based on an understanding of the significant risks to which the Council is exposed.

Assurance services will only be provided to parties outside the Council with the prior agreement of the Audit and Governance Board.

The nature of any planned consultancy or advisory services to be provided shall be set out in the annual audit plan. The Chief Audit Executive will seek approval from the Audit and Governance Board for any significant additional consulting services, prior to accepting the engagement.

The role of Internal Audit in fraud-related work is set out in the following Council documents:

- Standing Orders relating to Finance
- Anti-Fraud, Bribery and Corruption Policy
- Fraud Response Plan
- Whistleblowing Policy

Managing the risk of fraud and corruption is the responsibility of management. However, if requested, Internal Audit may assist with the investigation of suspected fraud and corruption. Internal auditors shall also consider the risk of fraud and corruption when planning and undertaking all audit engagements.

It is a requirement of section 11.1 of Finance Standing Orders that any officer or Member shall immediately report to the Head of Internal Audit, either directly or through line management, any circumstances which suggest the possibility of financial irregularity, loss, fraud or corruption. The circumstances will be outlined to the Strategic Director – Enterprise, Community and Resources, Operational Director – Finance, Operational Director – Legal and Democratic Services (Monitoring Officer) and Chief Executive to decide what action is necessary by way of investigation and report.

Resourcing of Internal Audit

The Chief Audit Executive is responsible for assessing the Council's internal audit resource requirements. The Audit and Governance Board shall be informed of proposed solutions should there be an imbalance between resource availability and requirement.

Appendix A: Internal Audit Charter

The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the Council's internal audit requirements.

Authority of Internal Audit

Internal auditors shall be empowered to:

- Enter any Council premises or land at all reasonable times;
- Have access to all records, documents, data and correspondence relating to Council business, and any unofficial funds operated by an employee as part of their duties;
- Require any employee of the Council to provide such explanations, information or other assistance concerning any matter under examination as part of any audit engagement;
- Require any employee of the Council to produce cash, stores, or any other property under his or her control.

These rights of access apply equally to partner organisations that have links with, or provide services on behalf of the Council (e.g. voluntary aided schools), where the Council has a statutory or contractual entitlement to exercise such right. These rights shall be included in all contractual arrangements entered into with such organisations.

Reporting

The findings and agreed action plans from each internal audit engagement shall be reported to the:

- Appropriate service manager(s)
- Appropriate Strategic Director, Operational Director and Divisional Manager
- Operational Director – Finance
- Strategic Director – Enterprise, Community & Resources
- Chief Executive
- External Audit

The internal audit function forms part of the Finance Department in the Enterprise, Community & Resources Directorate. The Chief Audit Executive reports directly to the Operational Director – Finance.

Appendix A: Internal Audit Charter

The Chief Audit Executive also reports functionally to the Audit and Governance Board. The reporting arrangements include:

- Regular progress reports summarising the outcomes of internal audit work and any significant risk exposures and control issues, including fraud risks, governance issues, value for money issues and any other matters considered relevant;
- An annual report that provides an overall internal audit opinion on the Council's control environment. This will form one of the sources of assurance that support the Council's Annual Governance Statement.

Quality Assurance & Improvement Programme

The Public Sector Internal Audit Standards require a Quality Assurance & Improvement Programme (QAIP) to be developed and maintained that covers all aspects of internal audit activity.

The Chief Audit Executive is responsible for ensuring that the QAIP conforms to the requirements of the Public Sector Internal Audit Standards and provides reasonable assurance to key stakeholders that Internal Audit:

- Performs its work in accordance with the Internal Audit Charter;
- Operates in an effective and efficient manner;
- Is adding value and continually improving the service provided.

The Chief Audit Executive will communicate to senior management and the Board on the QAIP. This will include reporting progress against any improvement plans and on the results of ongoing internal and external assessments.

Review

The Internal Audit Charter will be reviewed annually as part of the review of the Council's Constitution.

Any proposed changes to the Internal Audit Charter will be presented to the Audit and Governance Board for consideration.

Appendix B: Safeguarding Internal Audit Independence

The following arrangements have been established by management to meet the relevant PSIAS standards and to limit any impairment to the independence or objectivity of the Council's internal audit function:

[PSIAS standard 1100 - Internal audit activity must be independent and internal auditors must be objective in performing their work](#)

- The Council has established a requirement that the Head of Internal Audit must hold a recognised accountancy or internal audit qualification. As a qualified CIPFA member, the Head of Internal Audit is consequently bound by the Statement of Professional Practice on Ethics (SOPP). Adherence to the SOPP is an obligation of membership of the Institute, and all members and students are required to act in accordance with it. As is general practice in all professional bodies, departures from the standard may be subject to disciplinary action. The SOPP contains principles relating to integrity, objectivity, professional competence and due care.

[PSIAS standard 1112 - Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest](#)

- Internal auditors, including the Head of Internal Audit, are required to follow the code of ethics in the PSIAS. All officers involved in delivering internal audit work are therefore required to sign an annual declaration acknowledging those responsibilities and providing a commitment to fully comply with these requirements whilst working for the Council. The declaration also requires internal auditors to declare:
 - any conflicts of interests that could adversely affect their independence and objectivity;
 - any operational responsibilities that they have held within the preceding 18 months;
 - any relatives or close associates who are either employed by the Council or are an elected member of Halton Borough Council;
 - the nature of any involvement they have in organisations that provide goods or services to the Council.
- As employees of Halton Borough Council, internal auditors are also required to comply with the Council's Employee Code of Conduct. The Code acknowledges that the public is entitled to expect the highest standards of conduct from all employees who work for local government and to expect that the conduct of employee should never be influenced by improper motives.
- At an operational level, in planning internal audit assignments there will inevitably be occasions where internal audit work is undertaken relating to business areas for which the Head of internal Audit is responsible for managing. Potential conflicts of interests are therefore managed by the following arrangements:
 - Terms of Reference for the review are agreed and shared with the Operational Director – Finance in advance of the audit commencing to ensure that planned audit coverage is appropriate.
 - The draft report following the audit review is shared with the Operational Director – Finance at the same time as being presented to Head of Internal Audit for review. This removes the opportunity for the suppression of any audit findings.

Appendix B: Safeguarding Internal Audit Independence

- The Audit & Investigations Manager has direct right of access to the Operational Director – Finance and therefore has the opportunity to raise any issues or concerns without having to go through the Head of internal Audit.

PSIAS standard 1130 – Requirement for the Chief Audit Executive to disclose the details of any impairment to independence or objectivity, whether in fact or appearance

- The Council has established an Internal Audit Charter that forms part of Finance Standing Orders, and explains the Head of Internal Audit's responsibility for ensuring the organisational independence of internal audit activity and reporting and explaining to the Audit and Governance Board how any potential impairment to independence or objectivity will be managed.
- The annual Internal Audit Plan is reviewed by Management Team and approved by the Audit and Governance Board. This ensures that appropriate scrutiny is applied to planned audit coverage. The narrative supporting the Plan also sets out an overview of the arrangements to mitigate any potential impairment to independence and objectivity.

Other safeguards to limit any impairment to independence or objectivity

- Arrangements exist for a five-yearly external assessment of the Council's internal audit activity, which will include a review of the Head of Internal Audit's independence and objectivity. The results from that review will be reported to the Audit and Governance Board.
- The business areas for which the Head of Internal Audit has management responsibility form key parts of the Council's finance function and are therefore subject to other forms of assurance in addition to review by internal audit. These arrangements include:
 - Annual external audit review of the key financial systems that provide material disclosures for the financial statements, i.e. creditors, debtors and income collection and reconciliation.
 - Regular review of the insurance claims handling arrangements by the Council's insurer.
 - Periodic review of the Council's deputyship arrangements by the Office of the Public Guardian.
 - Periodic review of the Council's VAT accounting arrangements by HMRC.
 - Ongoing scrutiny through the Council's performance management framework.
- As part of the annual audit of the financial statements, the Council's external auditor completes a high-level review of the Council's internal audit arrangements and reports the findings of this review to the Audit and Governance Board.
- The Head of Internal Audit reports functionally to the Audit and Governance Board. This arrangement includes presenting regular progress reports to the Board summarising all internal audit work completed and provides the opportunity for scrutiny and challenge by members.

Appendix B: Safeguarding Internal Audit Independence

- Ongoing line management arrangements for the Head of Internal Audit include regular supervision meetings with the Operational Director – Finance. This provides opportunity to discuss issues, developments and the performance of the internal audit function, in addition to the other business areas for which the Head of Internal Audit is also responsible.

Appendix C: Internal Audit work completed – 2021/22

Presented to Audit and Governance Board - 29 September 2021

	Assignment	Assurance Level
1.	iTrent (HR & Payroll) – Application Management	●
2.	LCR Grant - Runcorn Station Quarter – Q1 2021/22	●
3.	Supporting Families – July Claim	●
4.	Covid Local Support Grant	●
5.	Infection Control & Rapid Testing Fund – Q1 2021/22	●
6.	Cultural Recovery Grant Fund	●
7.	Town Centre Fund Grant Claim – Halton Lea – Q1 2021/22	●
8.	Oakfield Primary School	●
9.	St. John Fisher Catholic Primary School	●
10.	Our Lady Mother of the Saviour Primary School	●
11.	Delinking of the Silver Jubilee Bridge	●
12.	HIV Pre-Exposure Prophylaxis (PrEP) Section 31 Grant Claim	●
13.	Eclipse Social Care System	●

Appendix C: Internal Audit work completed – 2021/22

Presented to Audit and Governance Board - 24 November 2021

	Assignment	Assurance Level
14.	Emergency payments to members of the public	●
15.	Solar Farm	●
16.	Town Centre Fund – Halton Lea – Q2 2021/22	●
17.	Local Growth Fund (LGF) Final Grant - Silver Jubilee Bridge – 2021/22	●
18.	Gorsewood Primary School	●
19.	Hallwood Park Primary School	●
20.	Stock Modelling Grant Claim	●
21.	Moorfield Primary School	●
22.	Additional home to school transport funding	●
23.	Disabled Facilities Grant Claim 2020/21	●
24.	Covid Local Support Grant (Extension)	●
25.	Infection Control & Rapid Testing Fund – Q2 2021/22	●
26.	Astmoor Regeneration Project - Q2 2021/22	●
27.	Halton Borough of Culture	●
28.	Supporting People Grant Claim – November 2021	●
29.	Home to school transport	●

Appendix C: Internal Audit work completed – 2021/22

Presented to Audit and Governance Board - 23 March 2022

	Assignment	Assurance Level
30.	Culture Recovery Fund: Second Round	●
31.	East Runcorn Connectivity Grant Claim – Q3 2021/22	●
32.	Workforce Recruitment and Retention Fund (Interim Report)	●
33.	Household Support Fund – Interim Grant Claim	●
34.	Town Centre Fund Grant Claim – Halton Lea – Q3 2021/22	●
35.	Property Valuations	●
36.	Community Testing Fund	●
37.	Astmoor Regeneration Project- Q3 2021/22	●
38.	Infection Control, Rapid Testing, Vaccine and Omicron Fund – Round 3	●
39.	Pest Control	●
40.	Remote Access Management	●
41.	Housing Benefit and Council Tax Reduction Scheme	●
42.	Homelessness	●

Appendix C: Internal Audit work completed – 2021/22

Presented to Audit and Governance Board - 6 July 2022

	Assignment	Assurance Level
43.	Culture Recovery Fund: Third Round	●
44.	Beechwood Primary School	●
45.	School Meals Service	●
46.	St. Berteline's CE Primary School	●
47.	Westfield Primary School	●
48.	Runcorn Busway Active Travel Corridor – Grant Claim Q4 2021/22	●
49.	Town Centre Fund, Halton Lea - Grant Claim Q4 2021/22	●
50.	East Runcorn Connectivity - Grant Claim Q4 2021/22	●
51.	Borough of Culture – Income and Expenditure Return	●
52.	Prevention and Promotion of Better Mental Health - Grant Claim 2021/22	●
53.	Adult Weight Management - Grant Claim 2021/22	●
54.	Infection Control, Rapid Testing, Vaccine and Omicron Fund – Round Three	●
55.	Workforce Recruitment and Retention Fund – Rounds One & Two	●
56.	Brownfield Housing – Foundry Lane – Q4 2021/22	●
57.	Household Support Fund – 2021/22 Final Grant Claim	●

Appendix D: Follow-up work completed – 2021/22

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

Each follow-up audit provides a revised overall assurance opinion, which is based on the extent to which the risks identified in the original audit have been addressed. The following table summarises the results of the follow-up assignments completed during 2021/22.

Assignment		Assurance Rating	Additional Commentary
1.	Halton Integrated Community Equipment Service	●	Progress has been made in regard to addressing all five recommendations from the original audit. However, full implementation of the agreed actions has been impacted by the Covid-19 pandemic. Revised timescales have however been agreed with management and a further follow up audit will be undertaken at a later date.
2.	Victoria Road Primary School	●	All five recommendations made in the original audit have been fully addressed by the school.
3.	St Martin's Catholic Primary School	●	The school has taken action to address all five recommendations made in the original audit. At the time of the follow up audit the school was in the process of developing an Information Asset Register, which was the only outstanding issue.
4.	Pewithall Primary School	●	There were two outstanding issues that the school is planning to address as follows: <ul style="list-style-type: none"> An annual declaration of interest form has not been completed by governors due to non-physical meetings taking place during the Covid-19 pandemic. The school will however ensure that all annual declarations are completed at the next full governor's body meeting. The school's website will also be updated to reflect the declarations of interest of governors. In order for governors to consider the school's long-term financial commitments, Service Level Agreements are to be presented to the finance committee in the autumn term for review.
5.	Direct Payments – Disabled Children	●	All the risk issues identified in the original audit have now been addressed.