

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 27 June 2013
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Internal Audit Report 2012/13

Summary

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2012/13
- To provide a summary of the work of the Audit and Assurance Service during 2012/13.

(It should be noted that, as planned, there is work ongoing on the annual fundamental financial system audits covering 2012/13 (through quarters one and two of 2013/14) and details will be reported in 2013/14 quarterly updates to the Accounts and Audit Committee. The results of 2012/13 financial system review work will be taken into account in completing the final version of the Council's 2012/13 Annual Governance Statement to be approved in September 2013).

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

Internal Audit reports
Internal Audit Terms of Reference and Strategy

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2012/13



TRAFFORD
COUNCIL

Audit & Assurance Service

Annual Internal Audit Report 2012/13

June 2013

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Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Internal Audit Report sets out details of the work of the Audit and Assurance Service during 2012/13. The most important aspect of the Annual Audit Report is to give an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2012/13, which encompasses internal control, risk management and governance.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2012/13 in accordance with the 2006 CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom'.

Through its work, the Audit and Assurance Service aims to support the organisation in ensuring good governance and a sound control environment, assisting in shaping ethics and standards across the council. In doing this it assists in the achievement of council priorities and objectives, delivering value for money and ensuring a positive impact on service delivery and outcomes for local people.

The current economic climate and associated pressures to achieve savings continue to highlight the need to ensure effective systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2012/13.

Based on internal audit work undertaken for 2012/13, the Internal Audit Opinion is that the overall control environment is operating to a satisfactory standard. Controls were found to be adequate and effective for most areas reviewed during the year. Improvement plans were produced for those areas where improvements were recommended. Follow up work of areas previously reviewed in 2011/12 demonstrates that continuing improvements in controls are being made.

Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage remains broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.

During 2012/13, the Service reviewed a broad coverage of the risks faced by the Council. The recommendations and advice stemming from this work has had a positive impact on the control environment of the Council.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Internal Audit Report is to detail the work of the Audit and Assurance Service during 2012/13. The Annual Audit Report provides an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2012/13.
- 1.2 Internal Audit is a statutory function and the Audit and Assurance Service carries out its work in accordance with the 2006 CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom'. It is a requirement of the Code that an Annual Audit Report is written and presented to the organisation. (It should be noted that from 1 April 2013, new internal audit standards come into effect – the Public Sector Internal Audit Standards, and therefore the Annual Internal Audit Report for 2013/14 will be produced in accordance with those).
- 1.3 The Audit and Assurance Service is within Financial Services in the Transformation and Resources Directorate. The Audit and Assurance Manager reports to the Director of Finance.
- 1.4 The establishment of the Audit and Assurance Service comprised 10.57 full time equivalent officers at the start of 2012/13. Following the departure of one of the officers in June 2012, the structure of the Service comprises 9.57 full time equivalent officers (Of the 10 staff currently in post, two currently work on a part time basis).
- 1.5 In addition to in house resources, as in previous years, Salford Audit Services provided support in respect of elements of the ICT Internal Audit Plan.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Terms of Reference and Strategy, the latest version being approved by the Accounts and Audit Committee in March 2012. The Terms of Reference states the objectives and scope of Internal Audit by detailing the purpose, authority and its responsibilities. The main objective is to provide the Council with an independent and objective opinion on the operation of the control environment. The Internal Audit Strategy describes the arrangements in place to deliver internal audit to ensure that the scope and objectives of the service as defined in the Terms of Reference are met thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers resources, service delivery, and audit planning and reporting. (In light of the introduction of the Public Sector Internal Audit Standards in 2013/14, the Audit and Assurance Service will be reviewing its arrangements against these and a revised Internal Audit Charter and Strategy will be produced and submitted for approval by CMT and the Accounts and Audit Committee later in 2013/14).
- 1.7 The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2012/13. The Annual Governance Statement provides an assessment of governance arrangements across all areas of the Council, and identifies strengths and areas for development in those arrangements.

2. INTERNAL AUDIT OPINION FOR 2012/13

2.1 Internal Audit is required to give an annual Opinion on the adequacy and effectiveness of the Council's internal control environment which encompasses internal control, risk management and governance. The opinion supports the Annual Governance Statement. The Opinion for 2012/13 is as follows.

Based on internal audit work undertaken for 2012/13, the Internal Audit Opinion is that the overall control environment continues to operate to a satisfactory standard. Controls were found to be adequate and effective for most areas reviewed during the year. For those areas identified where control improvements were required, improvement plans were produced following the audit reviews. Follow up work of areas previously reviewed in 2011/12 demonstrates that continuing improvements in controls are being made.

2.2 The most important factors determining the opinion are:

- Review work in respect of corporate governance and partnership governance arrangements showed that overall adequate and effective standards of governance continue to be maintained within the areas reviewed. (see 5.1).
- Key risks identified in the Strategic Risk register continue to be monitored including planned improvement actions. The Council has reviewed and updated its Risk Management Policy Statement and Strategy in 2012/13 and is updating corporate guidance. (see 5.2).
- The controls around fundamental financial systems have continued to be maintained and in several areas have improved with good progress made in implementing previous audit recommendations (see 5.3).
- Governance and internal control arrangements in most schools and establishments were generally found to be satisfactory and where less than adequate will be followed up further in 2013/14 (see 5.4 and 5.5).
- Anti Fraud & Corruption work has continued to raise fraud awareness across the Council in addition to investigating suspected cases of fraud and misuse of ICT facilities (see 5.6).
- Overall, effective controls were found to be in place for the ICT systems reviewed. Work included review of plans for the move of the ICT Data Centre, since completed in May 2013 (see 5.7).
- Procurement reviews undertaken indicate, overall, adequate levels of control. Where areas for improvement in terms of adherence to the Council's Contract Procedure rules have been identified, action plans were established as appropriate (see 5.6 and 5.8).
- A diverse range of other areas reviewed include Business Continuity, Fuel Monitoring, Pest Control, Section 106 Planning Agreements, Free School Meals, Foster Care Payments Blue Badge Procedures and Section 17 Payments (Children's Act 1989). Whilst the majority of areas have adequate levels of control, areas for improvement have been highlighted in the respective reviews (see 5.9 and Appendix C).

- Overall, where control weaknesses have been identified, management have agreed to take appropriate action by implementing recommendations (see 7.3 to 7.5).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2012/13 is given in the paragraphs below.

3. IMPACT OF INTERNAL AUDIT WORK ON THE CONTROL ENVIRONMENT

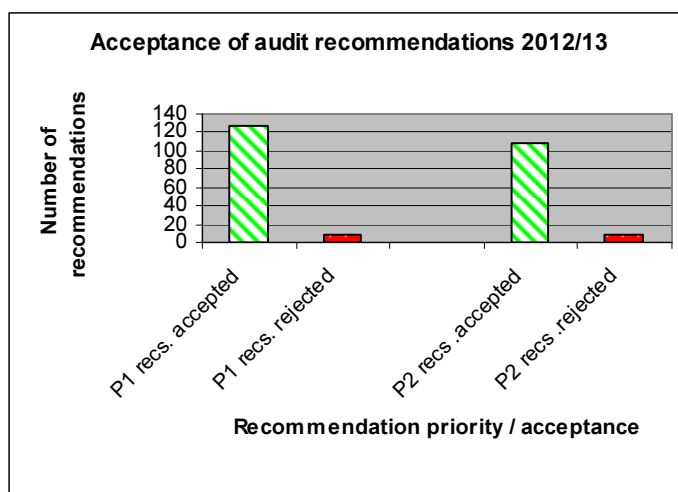
3.1 Through its work, the Audit and Assurance Service aims to support the organisation in ensuring good governance and a sound control environment, assisting in shaping ethics and standards across the council. In doing this it assists in the achievement of corporate and council priorities and objectives, delivering value for money and ensuring a positive impact on service delivery and outcomes for local people.

Coverage and Improvements in the Control Environment

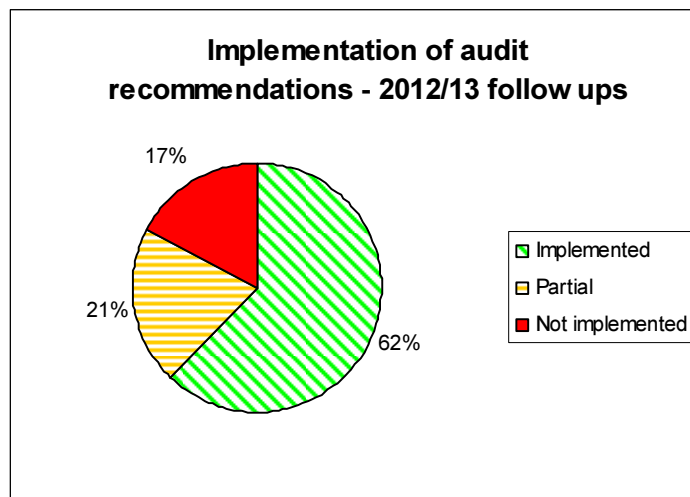
3.2 Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage is broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.

3.3 During 2012/13, the Service reviewed a broad coverage of the risks faced by the Council. The recommendations and advice stemming from this work has had a positive impact on the control environment of the Council.

3.4 This impact is not only evidenced by the broad coverage of work but also by the acceptance of internal audit findings. **93% of the recommendations made during the year were accepted** (as indicated in the chart below showing acceptance of recommendations – further details are shown in 7.1 to 7.3).



- 3.5 Follow-up work during the year has confirmed that, of the areas reviewed, **83% of recommendations have either been fully or partially implemented** or alternative controls have been established (compared to 84% in the previous year - See 7.4 and 7.5 for further details). Revised opinions were given where appropriate after each follow-up review has been completed.



Development and Assurance Provided Across the Council

- 3.6 In addition to undertaking internal audit reviews, the Audit and Assurance Service has promoted good practice and raised awareness of good governance through awareness raising activities such as through :
- Working with Schools Financial Services in contributing to four training workshops for schools staff through summer 2012 on the Schools Financial Value Standard.
 - Presentation on the Role of Internal Audit to the Trafford Headteachers Conference in June 2012 and a further presentation at an induction event for new Headteachers in September 2012.
 - Completion of an e-learning tool to support existing risk management guidance and updating of anti-fraud guidance including making preparations for the roll out of a mandatory e-learning tool (see sections 5.2 and 5.6).
- 3.7 The Service has also contributed to developing good practice and new processes across the Council. This has included providing advice in the development of new systems and processes. The Service has supported the Council in responding to legislative changes and its Transformation agenda, providing input and advice on a number of projects. This has included governance aspects relating to the Public Health transfer, introduction of the Trafford Assist Scheme (local welfare provision) and waste management contract arrangements. The aim of this involvement is to ensure sound governance and controls are maintained and improved through change. There is a dedicated site on the intranet for the Service to provide information and guidance which has been updated through the year.

Breadth of Stakeholders

- 3.8 The Audit and Assurance Service liaises and shares internal audit reports with a wide group of stakeholders within the organisation including the Accounts and Audit Committee, Corporate Management Team, managers across the Authority and External Audit.

4. WORK PLANNED AND COMPLETED

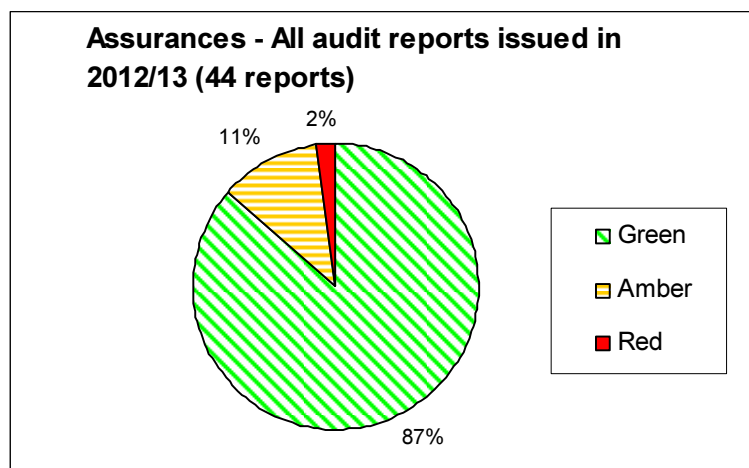
- 4.1 Total time allocated to carry out the Operational Plan was originally set at 1450 days for 2012/13. This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2012/13 Annual Audit Plan was 1377. Details of planned work against actual are discussed further in section 8.
- 4.2 Details of the internal audit reports issued in each quarter of 2012/13 are shown in Appendix C, providing a description of the review, audit opinion given and comments on the respective findings. (The relevant Corporate Directorate for each audit review is also shown, the Directorates referred to being those which were in place in 2012/13).
- 4.3 As in previous years, in respect of the fundamental financial systems, due to the nature of the timing of the work, most of the 2012/13 reviews are to be reported after the year end, with reports being issued from June 2013 onwards. (Details of reports issued will be provided in quarterly Audit and Assurance Service updates to CMT and the Accounts and Audit Committee through quarters one and two of 2013/14).
- 4.4 For each audit report issued, one of five possible Opinions is given as shown in the following table, the five opinions also denoted as Red/Amber/Green:

High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.
Medium / High (Good)	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.
Medium Level of Assurance (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.
Low Level of Assurance (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.

Analysis of Audit Opinions

4.5 The chart below provides an analysis of audit opinions in respect of 2012/13 internal audit reports issued.

All Reports issued in 2012/13 – (32 final and 12 draft reports)



4.6 Overall, the above shows that in 2012/13, an adequate or above (“Green”) level of control was found to be in place for 87% of the 44 reviews that took place where an opinion was given.

4.7 This is a slight improvement in opinion levels compared to reports actually issued in 2011/12 where 84% of opinions were deemed as “Green”.

4.8 Only 13% of opinions were deemed as ‘red’ or ‘amber’ (representing six reviews – 1 Red and 5 Amber). These were as follows:

- Section 106 Planning Agreements Review (Red Opinion per draft report but final opinion to be confirmed in 2013/14 - see 4.12 and 5.9.3)
- Let Estates Follow Up Review (see 5.3.6)
- Section 17 Payments (Children’s Act 1989 (see 5.9.3);
- Three school audits (see 5.4.)

These six reviews will all be included in the 2013/14 Internal Audit Plan for follow up.

4.9 The chart in 4.5 only refers to reports actually issued in the year. There are, however, a number of annual fundamental financial systems audits relating to 2012/13 for which the audit reports will be issued in 2013/14. Future quarterly update reports through 2013 will provide details of findings and any significant issues will be reflected in the Council’s Annual Governance Statement to be approved in September 2013.

Risk Levels

4.10 In terms of estimates of the levels of risk associated with respective opinion levels, the table below provides a framework for analysis of risk levels for audits undertaken based on the opinion given and the breadth of coverage of the review based on the following:

<u>Breadth of coverage of review (Levels 1 to 4)</u>	<u>Level of Risk Associated with Opinion Level and Breadth of Coverage</u>
<p>Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:</p> <ul style="list-style-type: none"> • Level 4 : Key strategic risk or significant corporate / authority wide issue - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity. • Level 3 : Directorate wide - Area under review has a significant impact within a given Directorate. • Level 2 : Service wide - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments. • Level 1 : Establishment / function specific - Area under review relates to a single area within the Council such as an individual establishment. 	<p>This provides an estimate of the level of risk given the audit opinion provided and breadth of coverage of the review.</p> <p>High Risk (H) – Red Opinion / Level 3 or 4</p> <p>Medium Risk (M) – Red Opinion / Level 1 or 2 , or Amber Opinion / Level 2, 3 or 4.</p> <p>Low Risk (L) – Green Opinion or Amber Opinion / Level 1.</p>

Based on the above, of the 44 reports issued, the following risk levels are given:

Risk Levels – Reports Issued 2012/13

Risk Level	Number of Audit Reviews (%)
High	1 review (2.3%)
Medium	2 reviews (4.6%)
Low	41 reviews (93.1%)

4.11 The table shows that **for the majority of reviews undertaken (93.1%) overall risks are considered low.**

4.12 One review is provisionally shown as high risk and this relates to the Section 106 Planning Agreements Review. As at the time of issue of this Annual Internal Audit Report, this review was still at draft stage. It was agreed that as part of the process for issuing the final report, the overall opinion will be reviewed to agree whether it remains "Low" or if sufficient recent improvement is highlighted, consider whether it is

revised to an improved opinion level (see 5.9.3). For other audits, Medium risks were associated with the Let Estates and Section 17 Payments reviews.

Other Assurance Work

- 4.13 A significant proportion of time spent does not result in the issue of formal audit reports. This is because the Audit and Assurance Service takes a lead in a number of activities such as risk management and anti fraud and corruption. Time is also spent in the compilation of the Council's Annual Governance Statement; financially appraising firms wishing to do business with the Council, and contributing to project and working groups across the Council. There is also work done in raising awareness of key issues through various means such as attendance at service meetings and intranet updates.

Part Two – Detailed Findings

5. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2012/13, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

5.1 Governance

- 5.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of corporate governance in the Authority.
- 5.1.2 There is an annual review of corporate governance arrangements using the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This is an important source of assurance for the Annual Governance Statement. The review includes identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of six principles relating to the Council's purpose/vision, the defining of functions and responsibilities, standards of conduct, management of risk, capacity and capability of members and officers, and engagement with the community and other stakeholders.
- 5.1.3 In August 2012, a final audit report was issued highlighting the findings from the 2011/12 review. This reported that the Authority continues to demonstrate compliance with CIPFA/SOLACE corporate governance framework principles. For 2012/13 (report due to be issued July 2013) evidence gathered confirms that progress has continued to be made in addressing governance issues highlighted in the previous year. The Accounts and Audit Committee have been provided with updates on progress through the year on specific issues highlighted in the Annual Governance Statement.

- 5.1.4 In respect of partnership governance, an audit review of the Trafford Partnership (Local Strategic Partnership) was undertaken. Findings concluded that the partnership can demonstrate significant progress in addressing a number of improvements previously identified by a CIPFA commissioned review of the partnership support arrangements in 2010. This was enabled through the restructuring of partnership support and streamlined governance arrangements. The Partnership has also been recognised nationally with awards for its work as highlighted in the Council's Annual Governance Statement. Areas highlighted in the review for possible further development included issues in respect of protocols and processes in relation to the co-ordination of risk management arrangements and information and data sharing protocols. Audit and Assurance are to agree an action plan with the Partnerships and Performance Service and details will be reported in a future 2013 Audit update report.
- 5.1.5 As part of the process for Public Health responsibilities transferring to the Council from 1 April 2013, Audit and Assurance provided some assistance in monitoring the completion of a due diligence exercise which covered a number of areas of governance and internal control issues relating to finance, contracts, human resources, ICT etc. As highlighted in the Council's 2012/13 draft Annual Governance Statement, following on from work undertaken in 2012/13 to prepare for the transfer of responsibility to the Council, further action will be taken by the Council to ensure effective governance arrangements are in place to support the Council meeting its responsibilities effectively.
- 5.1.6 In terms of following up other previous governance work, it was confirmed that in respect of the previous audit review of the Community Equipment Store, most recommendations have been implemented including developments in planning, reporting, consultation mechanisms and risk management. Any outstanding issues are being considered alongside developments in respect of Public Health.
- 5.1.7 As referred to in the 2013/14 Annual Internal Audit Plan, work was originally planned for the latter part of 2012/13 to undertake a review of Children and Young People Service partnership arrangements covering a Section 75 agreement with health partners. In agreement with the Corporate Director for Children, Families and Wellbeing, given a number of factors relating to the health reforms and changes in providers being used coming into effect from 1 April 2013, review work is to be delayed until later in 2013/14. It is now planned that two Section 75 Agreements will be covered commencing in the second half of 2013/14, one covering commissioning and the other the provision of services.

5.2 **Risk Management**

- 5.2.1 The Audit and Assurance Service has continued to support the council's overall approach to risk management and lead on promoting effective risk management processes.
- 5.2.2 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with the Transformation, Performance and

Resources Group (TPR) and the Corporate Management Team (CMT). This ensures that the Council identifies and monitors the key risks to the achievement of Council objectives. Quarterly reports detailing the risk register and key developments in the management of risks have been submitted to TPR and CMT. The Accounts and Audit Committee have been provided with updates in September 2012 and March 2013.

5.2.3 The Service facilitated the update of the Council's Risk Management Policy Statement and Strategy (approved by CMT and the Accounts and Audit Committee in March 2013). Supporting this, the Audit and Assurance Service is responsible for maintaining risk management guidance. The Service completed the development of an e-learning tool, which is to be issued by HR, in addition to updating guidance available on the risk management site on the intranet. Further guidance updates with associated awareness raising around this will continue through 2013/14.

5.3 **Fundamental Financial Systems**

5.3.1 This is another key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems. Based on an assessment of risk, there are a number of reviews that are currently undertaken on an annual basis whilst others are undertaken typically every other year.

5.3.2 In terms of areas reviewed annually, work in the first part of the year involved completing reviews relating to 2011/12 transactions. Towards the end of 2012/13, work began in planning reviews relating to 2012/13 transactions.

5.3.3 The systems reviewed are shown under the category 'Financial System' in Appendix C which lists all reports actually issued during 2012/13.

5.3.4 As part of Internal Audit's risk based methodology, the approach used provides for issue of a Control Risk Self Assessment (CRSA) form to be completed by service managers where systems had been given a High or Medium/High audit opinion for the previous two years. The CRSA is then followed up by limited audit testing in key areas.

5.3.5 For reports issued during 2012/13 in respect of 2011/12 systems a High level of Opinion was given in respect of Council Tax, Budgetary Control, Purchase to Pay, Treasury Management, National Non Domestic Rates, and Income Control. Medium / High Opinions were given for the Accounts Receivable and Personal Budgets reviews and Medium for HR/Payroll. (Audit and Assurance undertook certain aspects of the HR/Payroll Audit review in liaison with the External Auditor. Some control improvements were identified in respect of evidence of authorisation processes within payroll procedures which are being addressed). Overall, the opinions given across the systems reflected the standard of controls being maintained in addition to ongoing improvements to address previous audit recommendations.

- 5.3.6 Two other financial system reviews were undertaken in 2012/13. A Medium opinion was given for the review of the Works Management System. The other review was a follow up audit for the Let Estates system where a less than adequate opinion was given. Let Estates had been given a Low / Medium opinion in the original review and this opinion remained unchanged as whilst a number of recommendations have been implemented, significant development actions were still required. In particular, this relates to developing an effective ICT solution to provide a complete record of property details to provide a more effective system and assist ongoing monitoring. This would replace current arrangements where a mix of systems, both manual and electronic have been utilised. It is noted that a comprehensive review of the Asset Management IT system requirements has been incorporated within the scope of the Corporate Landlord programme (Transformation review).
- 5.3.7 Work is currently in progress in respect of the 2012/13 annual system audits. Reports issued through 2013 will be detailed in the quarterly Audit update reports to go to CMT and the Accounts and Audit Committee.

5.4 **Schools**

- 5.4.1 Summary details of each school audit are in Appendix C, indicated by the "Schools" Category. Areas covered in audit reviews include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; school fund and ICT security.
- 5.4.2 Within the Internal Audit Plan it was planned that at least 15 school audits would be undertaken. Ten final school audit reports were issued in 2012/13 (nine primary schools and one special school) of which nine had at least adequate audit opinions. For the ten final reports, two had opinions of Medium/High (Good), seven were Medium (Adequate) and one Low/Medium (Marginal). A further three draft reports were also issued (all primary schools – two Low/ Medium opinions and one Medium/High given). For those reviews where a Low/Medium opinion is given these will be included in the Internal Audit Plan for further follow up. Visits to a further five schools were also undertaken in 2012/13 with associated audit reports issued in quarter one of 2013/14).
- 5.4.3 The audit reports issued included follow up reviews of schools where a less than adequate audit opinion had previously been given. For all three of the schools that were subject to follow up reviews, it was reported that good progress had been made in implementing control improvements and Medium opinions were given for each follow up review.
- 5.4.4 Audit and Assurance continued to liaise with the Schools Finance team and the Children and Young People's Directorate to identify and provide advice on areas for development for schools to address. The Service has contributed to a number of workshops for schools in June / July 2012 to raise awareness of requirements set out in the Department for Education's Schools Financial Value Standard (SFVS) and is continuing to liaise with

Schools Finance to monitor adherence to the Standard. As part of the process to support schools in respect of the SFVS, the Audit and Assurance Service also provided updated guidance to all Trafford schools to facilitate ongoing self assessment of governance and internal control arrangements. It is noted that all schools have adhered to the SFVS requirements in 2012/13 and submitted a self assessment as required.

- 5.4.5 Presentations were given on the role of Internal Audit to the Trafford Primary Headteachers' Conference in June 2012 and also at an induction event for new Headteachers in September 2012.
- 5.4.6 In agreement with the Children, Families and Wellbeing Directorate, work originally planned for 2012/13 in respect of audits of Pupil Referral Units (PRUs) was delayed given the ongoing review by the Council of arrangements in this service area.

5.5 **Establishments**

- 5.5.1 A number of Council establishments are included in the Annual Audit Plan to ensure there is broad coverage of controls, at an operational level, across the Council.
- 5.5.2 Audits undertaken in 2012/13 covered work relating to libraries, a children's centre, children's home, Altrincham Crematorium and Ascot House Assessment Centre as detailed below.
- 5.5.3 Two follow up reviews were completed relating to libraries. These were a follow up review of ordering procedures in libraries and a follow up audit of Sale Library. For both reviews, progress had been made in implementing previous recommendations, in the case of one of the reviews (ordering procedures) the audit opinion was revised, improving from Medium to Medium/High.
- 5.5.4 An audit review of Broadheath and Dunham Children's Centre was also completed where overall a good standard of control was found to be in place. Recommendations included some improvements to governance arrangements relating to the Centre's Advisory Board including regular review of its terms of reference.
- 5.5.5 Three other audit reviews (Altrincham Crematorium, Ascot House Assessment Centre and Old Hall Road Residential Unit) were undertaken in 2012/13, and the associated draft audit reports were issued in April and May 2013 respectively (details will be reported in the quarter one 2013/14 Audit and Assurance update).
- 5.5.6 Audit review work in respect of youth centres, originally in the 2012/13 Internal Audit Plan was delayed due to commitments in respect of other areas of the Plan. This is to be rescheduled for 2013/14.

5.6 **Anti Fraud and Corruption**

5.6.1 Audit work in this area relates to undertaking investigative work; reviewing measures in place to reduce the risk of fraud and corruption and raising awareness across the Council. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

Investigations

5.6.2 During 2012/13 Audit and Assurance staff contributed to work in relation to 11 new investigations, four of which were still ongoing at the end of March 2013 (but completed by the time of this report in June 2013).

5.6.3 In respect of these investigations, in one instance the respective member of staff was dismissed following a disciplinary process. For two other cases, where the individual staff were subject to investigation, this resulted in both respective staff resigning. For other completed cases, in some instances, findings identified scope for improved controls within systems. Audit and Assurance have made recommendations to the relevant service areas as appropriate. Improvements relate to a number of themes including cash handling (in two investigations), record keeping (one), procurement processes / adherence to Contract Procedure Rules (two) and awareness of the Council's ICT Acceptable Use Policy (two).

5.6.4 The start of 2012/13 saw the end of two complex, long running cases. As referred to in last year's Annual Internal Audit Report issued in June 2012, in the first case an employee who resigned in 2010 appeared at Crown Court in May 2012 and pleaded guilty to a theft of just over £10k. She was given a suspended prison sentence, community service and ordered to repay £1k. The fraud related to activity surrounding the administration of monies for individuals where the Council held Court appointed responsibility in respect of their financial affairs. Audit and Assurance liaised with the relevant service area and provided guidance and in 2012/13 undertook an audit review of this area to follow up further. The associated internal audit report is to be issued in 2013/14 and will be reflected in future Audit updates.

5.6.5 The second case involved allegations of financial irregularity at a school and involved the review of a significant number of financial records. Whilst no evidence of fraud was identified, Audit and Assurance have made recommendations to improve the financial systems used for the administration of the school's unofficial funds and further internal audit review work was undertaken.

National Fraud Initiative

5.6.6 The Audit and Assurance Service co-ordinates the provision of data to the Audit Commission, required for data matching purposes as part of the National Fraud Initiative (NFI). It is designed to help participating bodies identify possible cases of

error or fraud and detect and correct any consequential under or overpayments from the public purse. It is carried out once every two years and all councils as well as a large number of other public bodies participate.

- 5.6.7 Audit and Assurance co-ordinates the process for reporting on outcomes from the exercise and together with other services investigates the data matches identified. The NFI 2012/2013 exercise commenced in October 2012, with the submission of the following Council data to the NFI team for matching with other participating bodies: Payroll, Creditors, Residents in private care homes, Insurance claimants, Street trader licences, Taxi driver licences, Resident parking permits, Personal licences to supply alcohol, Blue badge holders.
- 5.6.8 The resultant matches were released in January 2013 and at the end of 2012/13 were being prioritised for investigation by relevant services. Information on progress in investigating the matches will be made to the Accounts and Audit Committee later in 2013/14.

Awareness Raising

- 5.6.9 In 2012/13, the Audit and Assurance Service completed a review and update of the existing Anti-Fraud and Corruption Strategy, Policy and associated policies and guidance on reporting fraud.
- 5.6.10 In December 2012, Audit and Assurance liaised with Legal Services to publicise requirements in respect of the requirements for declaring offers of gifts and hospitality. Additional guidance was also produced for schools relating to the provision of gifts and hospitality. Other anti-fraud related guidance was also shared with schools including updated guidance to undertake control risk self assessments which include assessment of controls to reduce fraud risks.
- 5.6.11 As reported to the Accounts and Audit Committee in March 2013, a number of actions are planned for 2013/14 to further raise awareness of anti-fraud issues including the roll out of a mandatory e-learning tool and raising awareness of Council guidance in reporting fraud (which commenced in quarter one of 2013/14).

ICT

- 5.7.1 In this area, work has included audit reviews; advice to working groups to support developments in systems across the Council and investigations into the misuse of ICT facilities to ensure high standards of conduct are in place. Audit and Assurance has also responded to requests to facilitate data extraction to allow the Authority to respond to Freedom of Information and Data Subject Access Requests.
- 5.7.2 A review of the Wireless network was undertaken and resulted in a High opinion. Findings concluded that the controls in place over the wireless network at Quay West were found to be satisfactory and the network was secured to prevent unauthorised access. Similarly non-

corporate wireless access points were not accessible to staff. A further review of wireless network controls will be undertaken in 2013/14 to provide assurance that network access security continues to be maintained at the Town Hall building.

- 5.7.3 A report was issued in May 2012 relating to 2011/12 which found that The IT control aspects of the General Ledger systems were found to be operating satisfactorily to secure correct posting of transactions within the General Ledger resulting in a High opinion. Work will be undertaken later in 2013 to further review controls in place.
- 5.7.4 A follow up review of Information Governance arrangements in accordance with ISO27001 was carried out and it was reported that all of the High priority recommendations from the previous report had been implemented.
- 5.7.5 Towards the end of 2012/13 work commenced on a review of the arrangements for the transfer of the Data Centre from Friars Court to Trafford Town Hall which took place in May 2013. Initial findings, providing advice to be considered, were reported to ICT and the Transformation team following review work by Salford Audit Services in March 2013. Further findings in respect of any issues following the move will be reported in June 2013.
- 5.7.6 Another piece of work commenced to provide assurance on the arrangements for ICT Security in schools which will be reported on in 2013/14.
- 5.7.7 There have also been a number of investigations into the suspected misuse of ICT facilities which are also referred to in section 5.6.
- 5.7.8 Other work has included attendance at various groups, including supporting the Transformation process, such as the Electronic Document and Records Management Solution (EDRMS) project and the Information Security and Governance Group.

5.8 **Procurement / Contracts**

- 5.8.1 A number of reviews related to procurement processes were completed. These were both at a corporate and service level to ensure systems and controls are in place to support the achievement of value for money and compliance with procurement legislation.
- 5.8.2 A review of the Council's arrangements for assessing contractors prior to submission of tenders (Pre-Qualification Questionnaire) was carried out. This resulted in a Medium/High audit opinion with some recommendations relating to improving audit trails being made.
- 5.8.3 A review of the contract monitoring arrangements for the Cofathec / Cofely facilities management contract for Sale Waterside was undertaken. Overall contract and performance monitoring arrangements were good but as this is a long term arrangement recommendations of a strategic nature around were made e.g. issues relating to succession planning, an exit strategy etc.

- 5.8.4 Audit and Assurance also carried out investigation work in liaison with the Strategic Procurement Service into potential breaches of Contract Procedure Rules within the Council (as reflected in section 5.6). In one instance where the review has been completed this resulted in a number of recommendations for the relevant service area relating to procedures for evidencing quotes have been obtained and procedures for ordering and payments.
- 5.8.5 Follow up of previous procurement reviews undertaken in 2011/12 identified good progress having been made in implementing previous recommendations (in relation to the parking enforcement contract and the Pro-Contract system used for administering / managing council contracts).
- 5.8.6 The service continues to carry out the financial vetting of contractors. Given the significant amount of time spent on this activity, it is shown separately in the analysis of time spent in the Audit Plan in Appendix B.
- 5.8.7 Any audit related work relating to general procurement strategy for the Council will be considered following clarification of the Council's strategic procurement arrangements in terms of collaboration with other authorities.

5.9 **Business Risk Reviews**

- 5.9.1 This comprises work that does not fall into one of the categories referred to above but represents key areas of risk. These include reviews of specific areas within individual Directorates.
- 5.9.2 There were eight audit reports issued in this category to either draft or final report stage where a formal audit opinion was provided. A summary of findings for each review is shown in Appendix C denoted by Business Risks. As shown below, adequate or above opinions were given for six of the eight reports issued. The reviews completed to draft or final report stage as at 31st March 2013 were :

Draft reports

- Section 106 Planning Agreements (EGP&T&R) : Low opinion.
- Business Continuity (T&R / Authority-wide) : Medium opinion
- Pest Control (ETO) : Medium/High opinion
- Fuel monitoring (ETO) : Medium opinion

Final reports

- Free School Meals (T&R) : Medium opinion
- Blue badge procedures (T&R) : Medium opinion
- Section 17 Payments (Children's Act 1989) (CYPS) : Low/Medium opinion
- Foster care payments (CYPS) : Medium opinion

- 5.9.3 In respect of the two reviews where a less than adequate opinion was given:

- For the audit of Section 106 Planning Agreements, draft findings indicated a number of areas for improvements in controls, particularly in relation to income monitoring. It was agreed that the final report will consider any service developments / improvements since the draft report was issued and will include a final agreed opinion level incorporating management responses to any agreed recommendations. Future Audit updates in 2013 will provide further details when the final report is issued
- For the audit of Section 17 Payments, recommendations made included improvements in the maintenance of supporting records and procedures for evidencing the approval of payments. A further follow up review is included as part of the 2013/14 Internal Audit Plan to assess progress in implementing the recommendations made.

5.9.4 Four final reports were also issued in respect of a review of complaints processes relating to four service areas across the Council. An audit opinion was not given as this work followed up on an earlier review originally completed by another Service (Partnerships and Performance). Overall conclusions were that the majority of previous recommendations had been implemented or work was underway to implement them which has progressed through 2012/13.

5.9.5 The following planned reviews were also in progress at the end of the year, the findings to be reported as part of quarterly updates to CMT and the Accounts and Audit Committee later in 2013:

- Review of processes for submission of school pupil number data which contributes to determining subsequent funding received through the Dedicated Schools Grant.
- Youth Offending Service financial / administrative processes review
- Review of procedures for administering and monitoring client monies (following up on previous audit guidance provided in this area).
- Energy Management follow up review (the Audit and Assurance Service having also provided support / assurance in respect of the annual report submitted by the Council to the Environment Agency on the Council's carbon emissions in 2012).

5.9.6 Finally, in agreement with the Service area a planned review of corporate health and safety has been scheduled for commencement later in 2013.

5.10 Project Groups

5.10.1 The Audit and Assurance Service has contributed to a number of project / working groups across the Authority, including areas within the Transformation programme.

5.10.2 This has included providing input to project / working groups in respect of the Public Health transfer, Purchase to Pay processes, waste management contract, the new local welfare provision scheme, Trafford Assist and also ICT projects (see 5.7).

6. **ANNUAL GOVERNANCE STATEMENT**

- 6.1 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations 2011. Councils are required to publish, accompanying the annual accounts, a statement on the standard of governance, including internal controls in operation at the council. The Statement has to be signed by the Leader and the Chief Executive.
- 6.2 Audit and Assurance work in the year included co-ordinating the compilation of the Authority's Annual Governance Statement for the previous year, i.e. 2011/12, and preparation for the production of the 2012/13 Annual Governance Statement. The Annual Governance Statement draws on evidence from various sources including:
- The work of Internal Audit including the Internal Audit Opinion in the Annual Audit Report.
 - The work of External Audit.
 - Assurance from Directors and senior managers.
 - A corporate review of governance arrangements in the Council.
 - Risk management arrangements.

7. **MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK**

- 7.1 This section sets out the response to and impact of internal audit work during the year. Key indicators of Audit and Assurance's impact are :
- Acceptance of recommendations
 - Implementation of them.
- 7.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

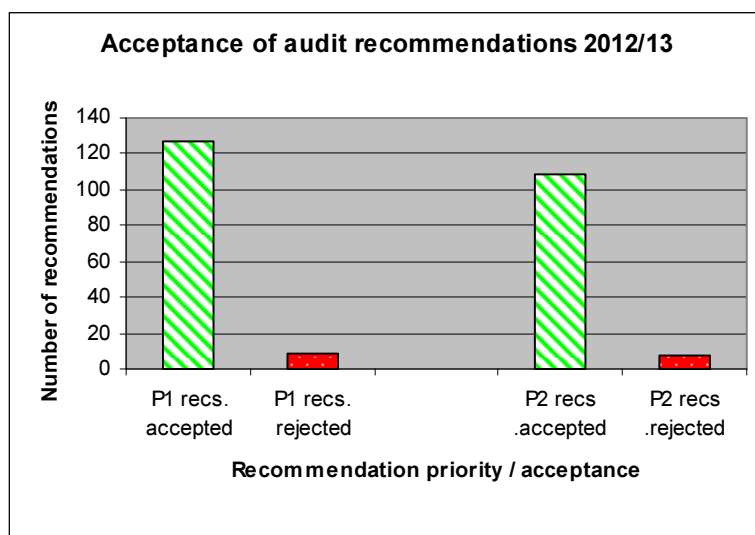
Priority 1 These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

Priority 2 These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

Priority 3 These are recommendations to either address a low risk or provide guidance or advice to further enhance existing practice.

Acceptance of Recommendations

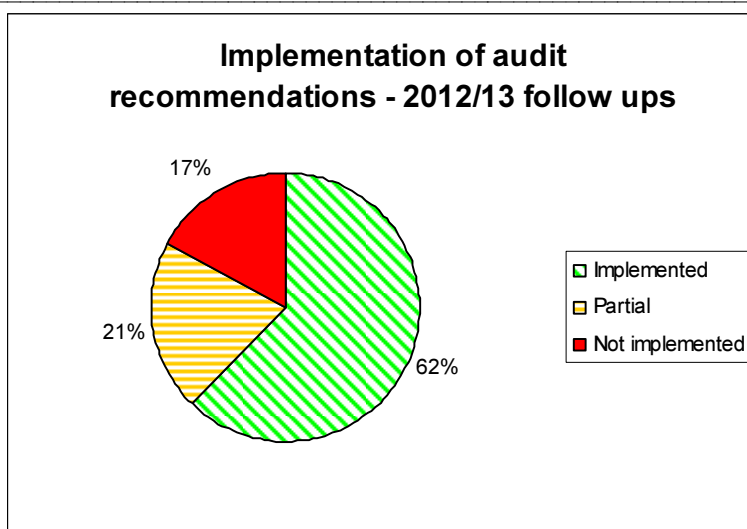
7.3 There continues to be a positive response to audit recommendations made. This is shown below in terms of levels of acceptance of recommendations made during the year:



The majority of audit recommendations made during the year were accepted. Of the 136 Priority 1 recommendations made, 127 (93%) were accepted (service target is 95%). The acceptance rate for priority 2 or 3 recommendations was also 93%, i.e. 108 of the 116 made. Overall, 93% of all recommendations were accepted (compared to 94% in 2011/12).

Implementation of audit recommendations

7.4 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. An analysis of the percentage of recommendations implemented at the time of the respective follow audit reviews is shown in the chart below.



- 7.5 Of a total of 146 recommendations followed-up during 2012/13, it was reported that 91 (62%) had been implemented at the time of the follow up audit reviews (this compares to 66% reported in the previous year). A further 30 (21%) have either been partially implemented, have alternative controls in place or are no longer applicable (18% reported in the previous year). This shows good progress continues to be made in implementing improvements across the Authority. As part of the follow up reviews, where it is considered appropriate, recommendations have been re-iterated and will be considered for further follow up as part of the 2013/14 Audit Plan. In Appendix C, * denotes against the Audit opinion that the review is specifically a follow up audit.

Client feedback

- 7.6 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.
- 7.7 **The overall rating was good or very good for 94% of the responses (compared to 92% in 2011/12) against a service target of 80%.** An analysis of the responses is shown in Appendix D.
- 7.8 The analyses of recommendations, follow-ups and client responses demonstrates that there continues to be a positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

8. PERFORMANCE AGAINST AUDIT PLAN

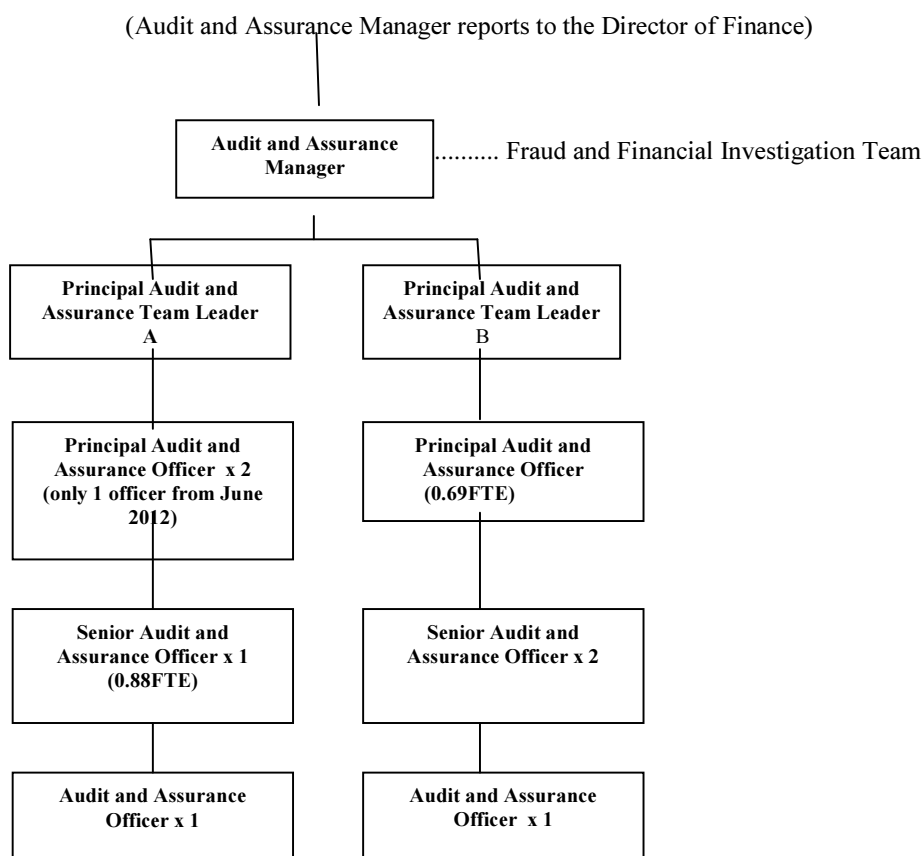
- 8.1 There continues to be a broad coverage of audit work across the Internal Audit Plan to ensure the service makes an effective contribution in providing assurance and promoting high standards of governance, control and risk management.

- 8.2 An analysis of planned time against actual work in 2012/13 is shown in appendix B. This shows that a total of 1450 days were allocated to complete the 2012/13 Annual Plan (with a further 145 days contingency).
- 8.3 Actual time spent delivering the Plan was 1377 days (95% of the chargeable planned target of 1450 days, the same percentage being achieved in the previous year). There was in addition a further 145 planned days for contingency.
- 8.4 The main factor for actual days being less than planned is the departure of a Principal Audit and Assurance Officer in June 2012. This resulted in planned audits and other responsibilities needing to be re-assigned to other staff.
- 8.5 Another factor, though not significant, related to the move of accommodation from Quay West back to Trafford Town Hall. There was a reduction in audit operational time spent in the final weeks of 2012/13. (It should be noted that the Service has continued to embrace the new ways of working introduced through the Long Term Accommodation programme. Storage requirements have been significantly reduced further and the team also operates a system of agile working).
- 8.6 Most reviews have been completed as planned or are in progress at the year-end providing coverage across all the different areas set out in the Audit Plan. As indicated in Section 5. some reviews have been delayed until 2013/14 due to other priority areas of work being completed (see 5.5.6) or delayed in agreement with the Service (see 5.1.7, 5.4.6 and 5.9.6). The 2013/14 Internal Audit Plan reported to CMT and the Accounts and Audit Committee in March 2013 took account of reviews carried forward from 2012/13.

9. COMPLIANCE WITH THE CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT

- 9.1 The Accounts and Audit Regulations require an annual review of Internal Audit. For 2012/13, a report was presented to the Accounts and Audit Committee in March 2013 which made reference to two main elements:
- Self Assessment review against the CIPFA Code of Practice for Internal Audit in Local Government.
 - Review of performance as detailed in updates issued to the Accounts and Audit Committee through 2011/12.
- 9.2 Following the presentation of the annual review report to the Accounts and Audit Committee, based on the information provided, the Committee agreed with the conclusion that Trafford Council operates an effective system of internal audit.
- 9.3 It should be noted that future reviews of internal audit will be undertaken against the Public Sector Internal Audit Standards which came into effect from 1 April 2013 and are required to be reported on by June 2014 as part of the 2013/14 Annual Internal Audit Report.

AUDIT AND ASSURANCE SERVICE



Note: There is a significant overlap of responsibilities between the 2 teams. There are however some specialist areas of Audit that individual teams lead on, as follows:

A - ICT; Fundamental Financial Systems

B - Governance; Risk Management, Schools Audit

Principal Audit and Assurance Team Leader (A) has responsibility for liaising with the external IT Audit specialists, Salford Audit Services, in completing elements of the ICT Audit Plan.

APPENDIX B

2012/13 OPERATIONAL PLAN: PLANNED WORK AND ACTUAL DAYS SPENT

	<u>Days Planned</u>	<u>Actual Days</u>
Fundamental Financial Systems Completion of 2011/12 fundamental systems reviews. Planning and commencement of 2012/13 reviews.	230	191
Governance / Annual Governance Statement (AGS) Corporate / partnership governance review work and collation of supporting evidence and production of the 2011/12 AGS.	140	109
Risk Management Review and update of the Council's Risk Management Strategy, facilitating the update of the Strategic Risk Register, awareness raising and provision of risk management guidance.	40	38
Anti-Fraud and Corruption Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	202
Procurement / Value for Money Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money.	120	90
ICT Audit Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	120	143
Schools School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	190	217
Establishments Reviewing governance and control arrangements across a range of establishments such as libraries and children's centres.	100	76
Other Key Business Risks Selected on the basis of risk from a number of sources including risk registers, senior managers' recommendations and internal audit risk assessments. This will include reviews relating to individual Directorates and Authority-wide reviews.	130	160
Service Advice / Projects General advice across all services. Support / advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	120	104
Financial Appraisals Financial Assessments of contractors and potential providers	80	47
Total Allocated Days	1450 *	1377

* Note : A further 145 days was allocated in the Plan as a contingency. This was effectively all used to meet a shortfall in available days following the departure of an officer in June 2012 (the post subsequently being deleted).

ALL AUDIT REPORTS ISSUED IN 2012/13 WHERE AN OPINION LEVEL IS GIVEN **APPENDIX C**

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green (G)
Medium / High – Good	Green (G)
Medium – Adequate	Green (G)
Low / Medium - Marginal	Amber (A)
Low – Unsatisfactory	Red (R)

*Indicates this is a revised opinion given following a review of progress made in implementing recommendations made in the previous audit review. This opinion is based only on the areas tested and assumes the controls reviewed as part of the previous audit, that were not covered as part of this follow up audit, have been maintained.

Report Status:

Draft reports:

are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

incorporate management comments and responses to audit recommendations, including planned improvement actions.

An opinion is stated in each audit report / assessment to assess the standard of the control environment

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area within the council such as an individual establishment.

REPORT NAME (DIRECTORATE) / (PORTFOLIO)	OPINION (R/A/G) (Issued)/ Category	COMMENTS
Final Reports – Quarter 1		
Level 4 Reports :		
Council tax 2011/12 (T&R) / (Finance)	High (GREEN) (3/4/12) <i>Financial System</i>	Based on areas reviewed for 2011/12, there are effective procedures and controls in place and a high level of assurance was provided as was given in last year's internal audit review.
General Ledger IT	High	The review found that business risks are being controlled effectively. Audit

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review 2011/12 (T&R) / (Transformation and Resources)	(GREEN) (10/5/12) <i>Financial System / ICT Audit</i>	testing confirmed adequate and effective controls within the General ledger system, SAP. The HR/Payroll system (ITRENT) interfaces are operating in accordance with the business specification and posting transactions correctly in the general ledger system.
Wireless network review (T&R) / (Transformation and Resources)	High (GREEN) (18/5/12) <i>ICT Audit</i>	The objective of the audit was to ascertain the effectiveness of the controls in place over the corporate wireless networks within the Quay West building as well as to determine whether non-corporate wireless access points were accessible to staff. It was reported that the wireless network is adequately secured against unauthorised access.
Budgetary Control (T&R) / (Finance)	High (GREEN) (21/5/12) <i>Financial System</i>	Based on areas reviewed for 2011/12, there are effective procedures and controls in place and a high level of assurance was provided.
<u>Level 1 Reports :</u>		
Moorlands Junior School (CYPS) / (Education)	Medium (GREEN) (19/4/12) <i>School</i>	Overall, adequate standards of control were found to be in place. Recommendations have been made in some areas such as reviewing and updating the school's documented financial procedures. It is acknowledged that some issues raised in the report would be considered following the appointment of the new Headteacher in September 2012.
Pictor School (CYPS) / (Education)	Medium (GREEN) (21/5/12) <i>School</i>	Overall, adequate standards of control were found to be in place. Recommendations were made in some areas including arrangements for administering lettings, and ordering and payments processes.
St. Vincent's Catholic Primary School (CYPS) / (Education)	Medium (GREEN) (6/6/12) <i>School</i>	Overall, adequate standards of control were found to be in place. The infant and junior schools amalgamated in September 2010. Progress is being made to integrate a number of procedures which are carried out in both the infant and junior departments.
Kings Road Primary School (CYPS) / (Education)	Medium / High (GREEN) (11/6/12) <i>School</i>	Testing confirmed an adequate and effective level of compliance with the controls covering most business risks. Recommendations were made to improve some controls. These included documentation supporting the ordering and payment for goods and services.

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REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
Final Reports – Quarter 2		
Level 4 Reports :		
Purchase to Pay System 2011/12 (Formerly Accounts Payable) (T&R) / (Finance)	High (GREEN) (24/7/12) <i>Financial System</i>	A high level of assurance was given in last year's review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
Treasury Management 2011/12 (T&R) / (Finance)	High (GREEN) (25/7/12) <i>Financial System</i>	A high level of assurance was given in last year's review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
National Non Domestic Rates (NNDR) 2011/12 (T&R) / (Finance)	High (GREEN) (22/8/12) <i>Financial System</i>	A high level of assurance was given in last year's review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
Accounts Receivable 2011/12 (T&R) / (Finance)	Medium / High (GREEN) (20/9/12) <i>Financial System</i>	The audit opinion given relates to the operation of the Accounts Receivable System overall across the Council and not just the central work relating to the Rating and Income Team. Recommendations made last year were followed up and it was found that these had been implemented or were in progress. Although most controls were operating to a satisfactory standard, an area for improvement related to the need for invoices to be raised promptly by the Building Control Service for inspection fees.
Procurement : Pre Qualification Questionnaire (PQQ) processes (T&R) / (Finance)	Medium / High (GREEN) (28/9/12) <i>Procurement / VFM</i>	A PQQ is a questionnaire sent to prospective contractors by the Council for assessing the suitability of supplier's commercial, technical and financial capabilities and providing a method of short listing interested suppliers meeting the minimum qualification criteria. Testing confirmed a satisfactory level of compliance with controls covering most business risks. Recommendations included ensuring relevant documentation currently held relating to PQQ evaluations and the Council's tender and procurement processes is stored on the Council's ProContract system to ensure that there is a full audit trail in place for tender evaluations and contract award decisions made.
Corporate Governance Review 2011/12 (Authority-wide & T&R) / (Transformation and Resources)	N/A - see comments (GREEN) (23/8/12) <i>Governance</i>	The Authority continues to demonstrate compliance with CIPFA/SOLACE Corporate Governance framework supporting principles. The report provides a position statement as at March 2012, based on assurance gathered across the Council. The review was a key element in the process for compiling the Council's 2011/12 Annual Governance Statement which was approved in September 2012.
Personal Budgets 2011/12 (Communities and Wellbeing) / (Adult Social Services)	Medium / High (GREEN) (16/8/12) <i>Financial</i>	Testing confirmed a satisfactory level of compliance with controls covering most business risks. There is a need to improve controls in respect of a small number of risks including the need to reduce outstanding client contributions with either a formal escalation policy or to consider paying the service user the net amount needed for their care making them directly responsible for paying their assessed

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System		client contribution to the service provider.
Level 2 Reports:		
Free School Meals (T&R) / (Transformation and Resources)	Medium (GREEN) (6/8/12) <i>Business Risks</i>	Overall, adequate standards of control were found to be in place. There were a number of recommendations made, however, including ensuring an adequate division of duties in the process for administering applications and reviewing ongoing eligibility. It was also identified that application forms should be reviewed to ensure consistency between manual and on-line forms. An action plan was agreed to implement most recommendations made during 2012/13 with the remainder in the following year.
Section 17 Payments – Children’s Act 1989 (CYPS) / (Supporting Children and Families)	Low / Medium (AMBER) (25/7/12) <i>Business Risks</i>	The objective of the review was to assess controls in place for the administration of Section 17 monies, used to support children in need and their families. Testing revealed improvements are necessary to control a number of business risks. Recommendations included improvements in the maintenance of supporting records and procedures for evidencing the approval of payments. It is acknowledged that since the audit, actions have been undertaken or are planned to address the recommendations made. This review will be followed up as part of the 2013/14 Internal Audit Plan.
Level 1 Reports :		
Broadheath and Dunham Children’s Centre (CYPS) / (Supporting Children and Families)	Medium / High (GREEN) (10/7/12) <i>Establishment</i>	Testing revealed an adequate and effective level of compliance with the controls covering most business risks. Recommendations included some improvements to governance arrangements relating to the Centre’s Advisory Board including regular review of its terms of reference.
St. Hilda’s CE Primary School (CYPS) / (Education)	Low / Medium (AMBER) (20/7/12) <i>School</i>	Recommendations were made across a number of operational areas to improve controls in place including ordering and payment processes, divisions of duties in the banking of income and asset / data security. It is acknowledged that since the audit, actions have been undertaken or are planned to address the recommendations made. This review will be followed up as part of the 2013/14 Internal Audit Plan.
Bollin Primary School (CYPS) / (Education)	Medium (GREEN) (14/9/12) <i>School</i>	There were a number of areas of good practice but there is a need to improve controls to manage some risks. Recommendations included reviewing procedures relating to the receipting and checking of income received prior to banking, and clearly defining procedures in respect of the administration of the school fund.

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REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
<u>Final Reports – Quarter 3</u>		
<u>Level 4 Reports :</u>		
Information Governance (T&R) / (Transformation and Resources)	N/A * (GREEN) (14/11/12) <i>ICT Audit</i>	Follow up report of a previous review which was conducted by Salford Audit Services to provide advice and guidance on information governance arrangements using ISO27001 guidelines as a reference point. The review found good progress had been made in the development of an information governance structure and all of the high priority recommendations from the report on ISO27001 had been implemented.
Income Control 2011/12 (T&R) / (Finance)	High (GREEN) (4/12/12) <i>Financial System</i>	A High audit opinion was given in the previous internal audit reviews and this has been maintained for the latest review.
<u>Level 3 Reports :</u>		
Sale Waterside Facilities Management : Cofathec / Cofely Contract Monitoring review (Economic Growth and Prosperity) / (Economic Growth and Prosperity).	Medium (GREEN) (21/12/12) <i>Procurement / VFM</i>	It is acknowledged that the overall contract monitoring and performance management arrangements for the contract are good. There are however, a number of recommendations of a strategic nature that require addressing during the remaining term of the contract. This includes areas such as succession planning to ensure continued monitoring of the contract, development of a risk register, monitoring of client satisfaction and, in the longer term, future consideration of an exit strategy. All recommendations have been accepted and an action plan established to inform developments through 2013.
<u>Level 2 Reports:</u>		
Blue Badge procedures (T&R) / (Transformation and Resources)	Medium (GREEN) (21/12/12) <i>Business Risks</i>	Overall, adequate standards of control are in place resulting in a Medium Level of Assurance. Areas for development include the need to improve independent checking processes in respect of the application procedure and also the monitoring of income from the issue of the blue badges. All recommendations have been accepted.
Foster care payments (CYPS) / (Supporting Children and Families)	Medium (GREEN) (13/12/12) <i>Business Risks</i>	Overall, audit testing confirmed that payments to foster carers are accurate, timely and paid in accordance with the approved allowance rates. There is appropriate segregation of duties between awarding of allowances, administration and payment of claims. Recommendations made included ensuring adequate audit trails are in place in some areas, particularly in respect of additional discretionary payments. All recommendations have been accepted with planned implementation in early 2013.

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Level 1 Reports :		
Urmston Junior School (CYPS) / (Education)	Medium (GREEN) (17/10/12) <i>School</i>	Audit testing revealed a satisfactory level of compliance with the controls covering most business risks. Areas for improvement included in the action plan include ensuring there is sufficient monitoring to ensure that bank accounts never go overdrawn (occurrence identified but subsequent bank charges were reversed) and ensuring there is a full audit trail in respect of income collection and banking processes.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
Final Reports – Quarter 4		

Level 4 Reports :		
Complaints Processes (Authority wide) / (Supporting Children and Families; Education; Economic Growth and Prosperity; Highways and Environment)	N/A * (GREEN) (28/1/13) <i>Business Risks</i>	A formal audit opinion was not given as the review consisted of a follow up of review work originally carried out by the Partnerships and Performance Service of complaints processes for four service areas (two within ETO, one for CYPS and one within EGP). Four follow up audit reports were issued and in each case the overall conclusions were that the majority of previous recommendations had been implemented or work was underway to implement them.
HR / Payroll 2011/12 System review (T&R) / (T&R)	Medium (GREEN) (27/2/13) <i>Financial System</i>	Testing revealed an adequate and effective level of compliance with the controls covering most, but not all key business risks. Recommendations included the need to review password system access arrangements; some aspects of authorisation arrangements for new starters and also some issues re divisions of duties. Since the audit, progress has been made to address these issues which will be followed up as part of the next audit review.

Level 2 Reports:		
Libraries Central Ordering follow up review (T&R) / (Transformation and Resources)	Medium/High * (GREEN) (13/3/13) <i>Establishment</i>	A Medium level of assurance was given in the previous audit review and the follow up audit has resulted in a Medium/High level of assurance being given this year. Good progress has been made in implementing the previous recommendations made with most previous recommendations having been fully implemented or in progress.

Level 1 Reports :		
St. Alphonsus RC Primary School (CYPS) / (Education)	Medium / High (GREEN) (28/1/13) <i>School</i>	A good standard of control was found to be in place over most areas reviewed. Some recommendations were made relating to the formal approval by the Governing Body of a small number of school policies which are at draft stage.
Davyhulme Primary School follow up review (CYPS) / (Education)	Medium * (GREEN) 31/1/13 <i>School</i>	Progress has been made in implementing all the previous recommendations made. A number of ongoing developments are in progress including work on the school development plan and improvements in ordering and payment procedures.

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Gorse Hill Primary School follow up review (CYPS) / (Education)	Medium * (GREEN) (12/3/13) <i>School</i>	The previous audit opinion of Low has now been changed to Medium to reflect the significant progress that has been made in addressing the previous recommendations. Further recommendations made include processes for ordering goods and services and also formalising all lettings arrangements.
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REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
Draft Reports		
Level 4 Reports:		
Trafford Partnership (T&R) / (Authority-wide)	To be confirmed (GREEN) (15/11/12) <i>Governance</i>	The purpose of this review was to evaluate the effectiveness of controls in relation to the strategic partnership governance arrangements. The partnership had commissioned CIPFA to undertake a review of the partnership support arrangements during 2010 with an Improvement Plan subsequently agreed. The partnership can demonstrate significant progress in addressing the improvements, enabled through the restructuring of partnership support and streamlined governance arrangements. Areas highlighted in the review for further development are being discussed such as risk management, information and data sharing protocols and awareness in respect of codes of conduct. An action plan is to be agreed with the Partnerships and Performance Service in 2013, details to be reported in a future Audit update.
Business Continuity (T&R and Authority Wide) / (Transformation and Resources)	Medium (GREEN) (7/9/12) <i>Business Risks</i>	The Civil Contingencies Act 2004 (CCA) places a duty on local authorities to establish and maintain Business Continuity Plans and to ensure that organisations delivering services on its behalf can still deliver to the required extent in an emergency. The Authority completed a major update of its approach to business continuity management in 2009 which included development of procedural guidance, training and standard templates which are in place. As from May 2012, following changes to service structures, a number of officers within the Partnerships and Performance team have been designated as responsible for offering advice and guidance to staff on Business Continuity. The audit report concluded that given the revised arrangements it is acknowledged that further work is required to embed procedures particularly in relation to ongoing monitoring of business continuity arrangements across services. Audit and Assurance is working with the Partnerships and Performance Service to agree an action plan. A final report will be issued in 2013.
Section 106 Planning Agreements (T&R&EGP) / (Finance, T&R, Economic Growth and Prosperity)	To be confirmed (Low (RED) – per draft report. Final report opinion to be confirmed) (2/1/13) <i>Business Risks</i>	Draft findings indicated a number of areas for improvement which are being discussed with relevant service areas, particularly in relation to monitoring of income from Section 106 agreements. Whilst, provisionally, a low opinion was given, it was agreed that the final report will consider any developments since the draft report was issued and will include a final agreed opinion level incorporating management responses to any agreed recommendations. Future Audit updates in 2013 will provide further details when the final report is issued.
Fuel Cards (ETO) / (Highways and Environment).	Medium * (GREEN) (15/11/12) <i>Business Risks</i>	The review included a follow up of previous recommendations made in 2011/12 and it was noted that some progress has been made implementing improvements. A number of officers have been designated as responsible for card management and monitoring duties. Further development is required to ensure adequate guidance is available to assist monitoring arrangements and adequate monitoring of the use of individual fuel cards is taking place including the regular use of exception reports to assist with this.

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Works Management System (Authority wide & ETO) / (Highways and Environment; Finance; Transformation and Resources)	Medium* GREEN (19/11/12) <i>Financial System</i>	Some progress has been made in implementing previous audit recommendations. Improvements to budget monitoring and reconciliation processes to the Council's accounting system were noted. An action plan to address any outstanding recommendations has since been agreed.
Let Estates Follow Up Review (EGP) / (Economic Growth and Prosperity)	Low / Medium * (AMBER) (22/3/13) <i>Financial System</i>	It was noted that progress has been made in implementing previous audit recommendations made but a number of recommendations are in progress or to be addressed. A further review is to be undertaken in 2013/14 when an updated audit opinion will be considered (previous opinion provided in 2011/12 was Low/Medium).
Level 2 Reports :		
Pest Control (ETO) / (Highways and Environment)	Medium / High (GREEN) (21/2/13) <i>Business Risks</i>	A good standard of control was found to be in place over most areas reviewed. Recommendations made include the introduction of annual stock takes and improved processes for recording and checking mileage undertaken and fuel usage.
Level 1 Reports :		
Sale Library follow up audit review (T&R) / (T&R)	Medium * (GREEN) (30/1/13) <i>Establishment</i>	It was noted that progress has been made in implementing previous audit recommendations. For a small number of outstanding issues, recommendations have been re-iterated.
Altrincham Crematorium (ETO) / (Highways and Environment)	Medium (GREEN) (14/3/13) <i>Establishment</i>	The audit found areas of good practice, but there is a need to improve controls for a number of areas of business risk. Business continuity arrangements should be put in a written format and tested regularly. A greater division of duties is needed within a number of processes e.g. income collection and banking, petty cash.
Oldfield Brow Primary School (CYPS) / (Education)	Low / Medium (AMBER) (13/2/13) <i>School</i>	A key factor for the draft opinion was the need for a greater division of duties across a number of systems and processes at the school. A final report will be issued incorporating the management response to the recommendations made.
St. Ann's RC Primary School (CYPS) / (Education)	Low / Medium (AMBER) (8/3/13) <i>School</i>	A final report will be issued incorporating the management response to the recommendations made and details will be reported in a future update.
Victoria Park Juniors (CYPS) / (Education)	Medium / High (GREEN) (8/3/13) <i>School</i>	A good standard of control was found to be in place over most areas reviewed. Some recommendations were made including reviewing cash security arrangements in respect of restricting access and the need to review and update elements of the School Finance Manual.

APPENDIX D

Client Survey Responses 2012/13

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	6	6			
Feedback of findings and liaison during the audit	7	4	1		
Professionalism of auditors	7	5			
Helpfulness of auditors	7	5			
Timeliness of the review and the draft report	3	8	1		
Clarity of the report	5	5	2		
Accuracy of the report	4	8			
Practicality of the recommendations made	5	6	1		
Usefulness of the audit as an aid to management	5	5	1		
Total	49	52	6	0	0
%	46%	48%	6%	0%	0%
	Very Significant	Significant	Moderate	Minor	None
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	2	1	4	3	1
	18%	9%	37%	27%	9%