

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 10 July 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Report of the Head of Internal Audit 2016/17

Summary

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2016/17
- To provide a summary of the work of the Audit and Assurance Service during 2016/17.

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:

None



TRAFFORD
COUNCIL

Audit & Assurance Service

Annual Report of the Head of Internal Audit 2016/17

June 2017

CONTENTS

Part One – Overview of Work Completed and Main Conclusions

Summary and Overall Opinion

1. Introduction and Background
2. Internal Audit Opinion for 2016/17
3. Work Planned and Completed

Part Two – Detailed Findings

4. Detailed Analysis of Work Completed
5. Management Response to Internal Audit Work
6. Performance against Audit Plan
7. Conformance with the Public Sector Internal Audit Standards

Appendices

- A : Quarter 4 2016/17 – Internal Audit Reports Issued
- B : 2016/17 Internal Audit Plan (Planned Work and Actual Days Spent)
- C : Audit Opinion Reports 2016/17 – Reports Issued / Planned
- D : Client Survey Responses 2016/17

Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Report of the Head of Internal Audit sets out details of the work of the Audit and Assurance Service during 2016/17. 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 2016/17, 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 2016/17 in general conformance with the Public Sector Internal Audit Standards.

Through its work, the Audit and Assurance Service aims to provide support to the organisation in its aim to maintain effective governance arrangements and a sound control environment. There continues to be ongoing financial pressures for local authorities to achieve savings and transform service delivery arrangements and, as part of this, councils need to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised.

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.

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 2016/17. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2017. Any further issues relating to work undertaken after that time are covered in future updates including quarterly reports to the Corporate Leadership Team and the Accounts and Audit Committee.

Based on internal audit review work undertaken and other sources of assurance for 2016/17, the Internal Audit Opinion is that overall, the control environment is operating to a satisfactory standard.

Follow up work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Where areas for improvement have been identified during 2016/17, actions have been agreed with management which will be followed up in 2017/18.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Report of the Head of Internal Audit is to detail the work of the Audit and Assurance Service during 2016/17. The report provides an opinion as to the overall adequacy and effectiveness of the Council's control environment during 2016/17.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013. It is a requirement of PSIAS that an annual internal audit report is written and presented to the organisation.
- 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 Chief Finance Officer (Section 151 Officer).
- 1.4 The establishment of the Audit and Assurance Service comprises 6.83 full time equivalent (FTE) staff. Vacancies arising were filled during the year with two appointments made (with staff commencing in April and October 2016 respectively). One vacant post was deleted from the establishment. In addition to the Audit and Assurance Manager, the Service staffing structure consists of the following:
- 2 Principal Audit and Assurance Team Leaders (2FTE)
 - 1 Principal Audit and Assurance Officer (currently 0.83FTE)
 - 2 Senior Audit and Assurance Officers
 - 1 Audit and Assurance Officer.
- 1.5 In addition to in-house resources, as in previous years, Salford Internal Audit Services provided support in respect of elements of the ICT Internal Audit Plan. The Audit and Assurance Service also works with other Internal Audit providers where appropriate such as Stockport and Rochdale Councils in respect of the STAR Shared Procurement Service.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy which were updated in March 2017 and approved by the Corporate Leadership Team (CLT) and the Accounts and Audit Committee. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.
- 1.7 The Head of Internal 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 2016/17.

2. INTERNAL AUDIT OPINION FOR 2016/17

2.1 The Head of 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 2016/17 is as follows.

Based on internal audit review work undertaken and other sources of assurance for 2016/17, the Internal Audit Opinion is that overall, the control environment is operating to a satisfactory standard.

Follow up work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Where areas for improvement have been identified during 2016/17, actions have been agreed with management which will be followed up in 2017/18.

2.2 Factors determining the opinion are as follows

- Audit Opinion reports were issued through the year covering a range of services, functions, systems and processes including financial system audits, ICT Audits, schools and establishment reviews, service reviews and procurement/contracts related reviews. (See Section 4 and Appendices A to C). Of the 38 final audit reports issued during the year (which included 12 schools), 95 % of opinions stated that at least an adequate level of control was in place. Excluding schools, 92% of opinions in reports were at least adequate (See 3.4). Where less than adequate opinions have been given, an agreed action plan is in place and recommendations will be further followed up (See 3.6). In forming the opinion, account was also taken of ongoing audit work in progress at the year-end which is referred to through Section 4 of the report.
- For all final reports issued, action plans were agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (99%) have been agreed by management (See 5.3 to 5.5).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2016/17 and significant progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, of the areas reviewed 95% of recommendations previously made had been either fully or partially implemented (see 5.6 to 5.10 for an analysis of follow up audit reviews both for Council and schools related reviews). It should be noted there remain some areas to follow up that were raised previously in 2015/16 where Audit has liaised with relevant services during 2016/17 to discuss progress and agreed to follow up further in 2017/18 taking into account developments being made (See 3.7 and 4.3.5).
- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register

which has been reported to the Corporate Leadership Team and the Accounts and Audit Committee (See 4.2).

- The Audit and Assurance Service continued to co-ordinate the production of the Council's Annual Governance Statement and has liaised with managers to gain assurance in respect of progress made in respect of significant governance issues, which will be reflected in the production of the 2016/17 Annual Governance Statement (See 4.1).
- The Audit and Assurance Service has continued to contribute to developments in anti-fraud and corruption arrangements. Working with the Counter Fraud and Enforcement team, fraud reporting arrangements have been updated and publicised. The Service has also investigated suspected cases of fraud and theft and, where applicable, associated review work has included reporting on recommended control improvements. The Service has also, in liaison with other services, co-ordinated work in relation to the National Fraud Initiative (See 4.5).
- The Service contributed, as part of the Information Security Governance Board (ISGB), to the process for preparing for the Information Commissioners' Office (ICO) Audit review which took place in January 2017. The ICO Audit reported that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. Findings from the ICO Audit are being taken into account in considering future internal audit plans in relation to information governance (See 4.10.2).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2016/17 is provided in this report.

3. WORK PLANNED AND COMPLETED

- 3.1 Total time allocated to carry out the Operational Plan was originally set at 1080 days for 2016/17 (1020 allocated days and 60 days contingency). This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a summary of work planned against completed with a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2016/17 Annual Audit Plan was 1017. Details of planned work against actual are discussed further in Section 6. (It should be noted that in addition to the 1017 actual days, additional time was taken for other activities that are not attributable to one particular category of work but support the audit process. Activities undertaken through 2016/17 included continued support to the Accounts and Audit Committee, liaison with the External Auditor (Grant Thornton), networking with other North West Internal Audit groups to share good practice, and liaison with services to gather information in support of the production of the audit plan).
- 3.2 Details of the internal audit reports issued are shown in Appendix C. Further detail in relation to audit reports issued between April and December 2016 are detailed in the respective quarterly reports presented to CLT and the Accounts and Audit Committee

during 2016/17. Appendix A provides detail in relation to reports issued during the final quarter of 2016/17.

Analysis of Audit Opinions

3.3 For each audit report issued, one of five possible opinions is given. The five opinions are also denoted as Red/Amber/Green. The table below shows the number of final reports issued during 2016/17 for each opinion level.

LEVEL OF ASSURANCE	R/A/G STATUS	DESCRIPTION	NUMBER OF REPORTS ISSUED 2016/17
High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.	6
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.	16
Medium (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.	14
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.	2
Low (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.	-
		TOTAL	38

3.4 As shown above, in respect of the 38 final audit reports issued during the year, an adequate or above (Green) level of assurance was given for 95% of the reviews (This compares to

88% in 2015/16). Excluding schools from the analysis, 24 of the 26 opinion reports issued were "Green" i.e. 92%.

- 3.5 It should be noted that whilst shown as "Green", where opinions of Medium or Medium/High have been given, a number of control improvements to manage risks have been identified and it is important that associated recommendations are addressed.
- 3.6 There were two reviews completed where less than adequate "Low/Medium" opinions were given (See 4.8.3 re reports issued for an audit of financial administration processes in relation to Out of Borough Education Placements and an establishment audit of Coppice Avenue Library). There will be follow up audits of both reviews to assess progress in implementing previous recommendations as part of the 2017/18 Internal Audit Plan.
- 3.7 There are other issues previously highlighted as requiring further improvement where progress has been monitored and further follow up work has been planned in for 2017/18. This includes the following:
- Developments in relation to business continuity and IT disaster recovery continue to be progressed by the Council with further action planned. This has been reflected both in strategic risk register updates and will also be reflected in the Council's 2016/17 Annual Governance Statement. Audit will continue to liaise with ICT and other relevant services in 2017/18 to review progress (See 4.7.2 and 4.8.7).
 - The External Auditors, Grant Thornton, previously completed a review of IT controls within the Council's SAP Financial system in 2015/16. A number of findings highlighted the need for the Council to review IT access controls within the system, particularly in respect of considering the segregation of duties. These findings were followed up by Audit and Assurance in 2016/17 which found that a number of controls have either been introduced or enhanced by the Council to reduce the key business risks relating to the applications under review, with further work in progress.

Other Assurance Provided Across the Council

- 3.8 A significant proportion of time spent does not result in the issue of formal internal audit reports. This is because the Audit and Assurance Service has a role in a number of activities such as:
- Risk management (including facilitating the update of the Council's strategic risk register and contributing to the update of the Council's Risk Management Policy Statement and Strategy).
 - Anti-fraud and corruption (including co-ordinating the Council's work in supporting the National Fraud Initiative and contributing to the update of the Council's Anti-Fraud and Corruption Strategy and Policy).
 - Facilitating the compilation of the Council's Annual Governance Statement.
 - Reviewing a number of grant claims through the year as required.
 - Contributing to project/working groups across the Council.

- Providing guidance (which included updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance).

<http://intranet.trafford.gov.uk/yourtrafford/Audit/default.asp>

Breadth of Stakeholders

- 3.9 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 Leadership Team, managers across the Authority and External Audit.

Part Two – Detailed Findings

4. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2016/17, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

4.1 Governance

- 4.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of governance and internal control in the Authority.
- 4.1.2 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations (2015). The Service co-ordinated the production of the 2015/16 Annual Governance Statement in liaison with officers and members as set out in the approach / timetable agreed by the Accounts and Audit Committee. In order to complete this, the Service considered corporate governance arrangements with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This included 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 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.
- 4.1.3 The 2015/16 Annual Governance Statement was approved in September 2016. In addition, the Service co-ordinated the update of the Council's Corporate Governance Code in accordance with the CIPFA / SOLACE guidance. The Code was approved by the Accounts and Audit Committee in June 2016.
- 4.1.4 The Service agreed an approach, approved by the Accounts and Audit Committee in February 2017, for the production of the 2016/17 AGS. This took into account the updated framework and guidance issued by CIPFA/SOLACE in April 2016. Audit has led on gathering assurance to contribute to the issue of the 2016/17 in accordance with agreed timescales (with the final version to be approved by September 2017).
- 4.1.5 As referred to in the 2017/18 Internal Audit Plan, It is planned that Legal and Democratic Services will provide a lead in gathering assurance to produce the 2017/18 AGS. Audit is working with Legal and Democratic Services to support this change and agree responsibilities going forward.
- 4.1.6 Audit and Assurance has continued to work with Accounts and Audit Committee to support its role in relation to monitoring issues raised in the AGS, including liaising with officers to provide updates to the Committee.

4.1.7 A key focus for Audit in relation to governance-related issues in 2016/17 has been in supporting corporate developments in relation to information governance (See 4.7 and 4.10).

4.2 **Risk Management**

4.2.1 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with CLT. This ensures that the Council formally identifies and monitors the key risks to the achievement of Council objectives.

4.2.2 Reports detailing the risk register and key developments in the management of risks have been submitted to CLT through the year. The Accounts and Audit Committee were provided with updates in November 2016 and March 2017.

4.2.3 Supporting risk management guidance was further updated by the Audit and Assurance Service and is available on the intranet under <http://intranet.trafford.gov.uk/aboutus/guidelines/RiskManagement/default.asp>

4.3 **Fundamental Financial Systems**

4.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems.

4.3.2 As listed in Appendix C, 13 final audit reports were issued during the year. All opinions issued were stated as Medium (Adequate) or above. In respect of audit opinions, these consisted of:

- 5 reviews with a High level of assurance (Treasury Management, Council Tax, Business Rates, Benefits/Council Tax Reduction and Budgetary Control)
- 3 reviews with a Medium/High level of assurance (Payroll, Income Control and Insurance)
- 5 reviews with a Medium level of assurance (Cash expenditure control, Cash income control, Accounts Payable, Liquid Logic/ContrOCC system (Adult Services) and Direct Payments (Adult Services)).

4.3.3 The Budgetary Control audit referred to above included further follow up of improvements listed in the corporate budget monitoring action plan which was initially produced in 2014/15. The report concluded that all actions had been implemented.

4.3.4 Details of findings for 9 of the above reviews were reported in quarterly updates between April and December 2016 and findings from 4 reports issued between January and March 2017 are shown in Appendix C. As detailed in the 2017/18 Internal Audit Plan, work undertaken in 2017/18 will include consideration of the above reviews including follow up of recommendations made.

4.3.5 There were two planned reviews not completed during the year. Firstly, an audit of the Accounts Receivable/debt recovery system was delayed at the request of the relevant service and will be undertaken in the first half of 2017/18. Secondly, a follow up audit of procedures for administering the Council's let estates, now managed as part of the One Trafford Partnership with Amey, was delayed given ongoing developments in systems and procedures taking place. It was also agreed that an audit of this area will also commence in the first half of 2017/18.

4.4 Schools

- 4.4.1 As part of the Schools Financial Value Standard (SFVS) designed by the Department for Education, schools are required to submit evidence to support adherence to the Standard on an annual basis. It is noted at the time of reporting that in accordance with SFVS, most schools have submitted a self- assessment for the year as required with one outstanding response currently being followed up. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking future school audits.
- 4.4.2 Areas covered in internal audit reviews reflect the requirements of the SFVS and 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; and ICT security.
- 4.4.3 Within the Internal Audit Plan it was planned that at least 15 school audits would be undertaken in 2016/17. During the year, 12 final audit reports and 1 draft report were issued. In addition, 3 further school audit visits had been completed with draft reports in progress and 2 further reviews in progress with visits arranged for quarter one of 2017/18.
- 4.4.4 In respect of the 12 audit reports issued, all provided at least adequate opinions (5 Medium and 7 Medium/High opinions – see Appendix C).
- 4.4.5 During the year there was follow up by Audit in relation to 6 schools to confirm progress in implementing previous recommendations. Good progress in implementing recommendations is highlighted by the analysis regarding follow up audits (See 5.6 to 5.10).
- 4.4.6 Audit and Assurance continued to liaise with the Schools Finance team and the Children, Families and Wellbeing Directorate (CFW) to assist in following up issues raised at particular schools, ongoing audit planning and, where applicable, to provide advice to schools. In agreement with the CFW Directorate, 2 school audits were added to the audit plan towards the end of the year (Barton Clough Primary School and Bollin Primary School) and details will be reported as part of the 2017/18 quarter one Audit and Assurance update.

4.5 **Anti-Fraud and Corruption**

4.5.1 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.

Awareness-raising - Fraud Reporting

4.5.2 Audit and Assurance worked with the Council's Counter Fraud and Enforcement Team to update fraud reporting details on the Council's website. Following the transfer of the Benefit Fraud investigation team to the DWP in March 2016 and the establishment of a new Counter Fraud and Enforcement team in the Council, the Council's website was updated to ensure the revised arrangements are reflected and ensuring there is a clear route for the public to report instances of suspected fraud. In addition to contact details for reporting fraud, the website now includes online fraud reporting forms. Details of the changes were publicised via a press release in December 2016 and details were also shared with staff via the intranet.

4.5.3 In December 2016, the Audit and Assurance Service published a reminder on the intranet of guidance on the Council's policies on registering offers of gifts and hospitality.

National Fraud Initiative

4.5.4 The Audit and Assurance Service continued to co-ordinate the Council's participation in the National Fraud Initiative (NFI), a nationwide data matching exercise 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. The Service co-ordinated the submission of Council data to the NFI team (Cabinet Office) in October 2016 and the subsequent matches were received in January 2017. The Service has liaised with other services including the Council's Fraud and Enforcement team to ensure key data matches are being followed up. Progress in following up the data matches will be reported in Audit updates in 2017/18.

Investigations

4.5.5 During 2016/17, Audit and Assurance staff have contributed to work in relation to internal investigations.

4.5.6 One investigation carried out highlighted the need to improve controls in relation to cash handling and banking and also the misuse of a purchasing card. An officer resigned while under investigation and recommendations for improvements to controls have been shared with the service. A follow up audit is planned for later in the year.

- 4.5.7 An investigation relating to another service area in respect of a loss of cash commenced in February 2017. Internal Audit carried out fact finding interviews with the members of staff with access to the cash and reported to management and Human Resources with its findings. Good controls were in place which highlighted the loss promptly, and Internal Audit has provided advice to the service manager on how controls might be further improved to reduce risks. As above, there will be further follow up as part of the 2017/18 Internal Audit Plan.
- 4.5.8 Towards the end of the year, in liaison with the Children, Families and Wellbeing Directorate (CFW), Audit contributed to the investigation of complaints in relation to a school which included finance related issues. As part of this, it was further agreed that a further audit visit would be completed and this was arranged for May 2017. Outcomes will be reported in the Quarter One Audit and Assurance update.
- 4.5.9 As done in previous years, it is planned that Audit will co-ordinate the Council's response to the annual fraud and corruption survey by CIPFA. (Details of fraud investigation during 2016/17 by the Counter Fraud and Enforcement team will be within a separate annual report to be shared with the Accounts and Audit Committee later in 2017).

Other work undertaken and planned

- 4.5.10 Further to the work completed in relation to updating fraud reporting guidance, as planned, Audit and Assurance liaised with the Counter Fraud and Enforcement team to review and update the Council's Anti-Fraud and Corruption Policy, Strategy and fraud response guidance. These were approved by the Accounts and Audit Committee in March 2017. Associated guidance on the intranet is to be updated to reflect this.

4.6 Procurement / Contracts

- 4.6.1 Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.
- 4.6.2 As part of internal audit planning, the Service has liaised with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport and Rochdale Councils). Audit plans were co-ordinated and relevant findings from work shared to ensure an efficient audit process.
- 4.6.3 An audit review was originally undertaken in 2015/16 of the contracts register maintained by the STAR Shared Procurement Service. In April 2016, a follow up audit was completed by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. Previous findings were that whilst overall adequate

arrangements were in place for maintaining the register, it was acknowledged that work was ongoing to continue to improve processes. The follow up audit reported that of the six recommendations previously made, four had been fully implemented and two are being progressed on an ongoing basis.

- 4.6.4 An audit covering arrangements in place by STAR and the three respective authorities within STAR for meeting requirements in respect of Social Value as part of procurement activity (in accordance with the Public Service (Social Value) Act 2012), was completed by Trafford Council Audit and Assurance on behalf of all three local authorities. The audit identified satisfactory systems and controls in place in connection with the majority of areas reviewed. Ongoing progress is being made to develop arrangements for monitoring performance indicators in respect of Social Value. It was also agreed that a further audit review will be undertaken in 2017/18 to follow up the review findings and also to focus on contract monitoring arrangements in respect of Social Value.
- 4.6.5 Audit planning, in relation to STAR, undertaken towards the end of 2016/17 resulted in a number of further audit reviews agreed to be undertaken by respective authorities (as reported in the 2017/18 Internal Audit Plan reported in March 2017).
- 4.6.6 An audit review was completed of monitoring arrangements in respect of Trafford Council's Parking Enforcement Contract. Systems and controls were found to be adequate across most areas covered. Improvements in controls were recommended in respect of record keeping for monitoring purposes in respect of complaints and cancellation of penalty charge notices and also in evidencing the authorisation of any variations to the parking enforcement contract.
- 4.6.7 An audit review of governance and monitoring arrangements of the One Trafford Partnership between the Council and Amey was agreed with the EGEI Directorate to commence further to work completed by Scrutiny which was reported in March 2017. An audit is to commence in the first half of 2017/18.
- 4.6.8 During the year, Audit continued to liaise with the EGEI Directorate in respect of discussing ongoing monitoring arrangements for verifying income due in respect of the lease agreement for Altrincham Market. It was agreed that in 2017/18, Audit will provide support to EGEI in further monitoring.
- 4.6.9 Consideration of procurement / contracts aspects is included in other categories of audit work including schools (per 4.4) and Other Business Risks (4.8).

4.7 ICT Audit / Information Governance

- 4.7.1 Audit work was undertaken to cover a range of issues in relation to IT procedures, processes and controls. A significant part of this work is completed by Salford Internal Audit Services who provide specialist IT Audit Services for a number of

authorities. Work was also undertaken in respect of wider information governance issues.

- 4.7.2 An audit review of cyber security risks was completed in the previous year. This highlighted a number of areas for development including the need to progress IT disaster recovery processes. A number of actions were also required in relation to IT security in order to ensure compliance with the Cabinet office's Public Services Network (PSN) requirements. Audit has liaised with the ICT Service through the year to discuss progress and it was confirmed that PSN accreditation was received in October 2016. A follow up cyber security audit review to report on each of the areas previously reported, including disaster recovery issues, will be completed later in 2017.
- 4.7.3 A final report was issued in May 2016 regarding a follow up audit relating to IT Governance and Security in Schools which included visits to a number of schools. The final report confirmed good progress had been made in improving procedures such as in relation to the secure transmission of data. The Council had provided further IT security guidance to schools during the year.
- 4.7.4 The External Auditors, Grant Thornton, completed a review of IT controls within the Council's SAP Financial system in 2015/16. A number of findings highlighted the need for the Council to review IT access controls within the system, particularly in respect of considering the segregation of duties. These findings were followed up by Salford Internal Audit Services. The follow up audit report issued in October 2016 found that a number of controls have either been introduced or enhanced by the Council to reduce the key business risks relating to the applications under review, with further work in progress. There will be further follow up of this area in 2017/18.
- 4.7.5 An IT application audit review was also completed as part of the financial system audit of the Liquid Logic/ContrOCC system (per 4.3.2) and recommendations in relation to IT access controls are included within that report.
- 4.7.6 An audit review of the Council's ICT Change Management arrangements was completed in the final quarter of 2016/17. It is acknowledged that the Council has been developing its processes in the last year and a number of agreed actions were confirmed following recommendations made.
- 4.7.7 Audit has continued to contribute to ongoing developments in relation to the Council's approach to Information Governance. This has included input to the Information Security Governance Board (ISGB). It is noted that the Council is continuing to review its Information Governance arrangements as part of the ISGB Work Plan including taking into account findings from the audit by the Information Commissioner's Office (ICO). (See 4.10.2 regarding work in relation to the ISGB and the ICO audit).
- 4.7.8 Audit completed an independent check of the Council's Information Governance Toolkit submission to the Department of Health in March 2017. The Toolkit is an online system

which enables organisations to assess themselves or be assessed against Information Governance policies and standards. Any feedback on the submission is expected later in 2017.

4.8 **Other Business Risks**

4.8.1 This comprises work that does not fall into one of the categories referred to above but represents areas of business risk. This includes authority-wide review work and reviews of specific services and establishments within individual Directorates. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas of risk specific to the service under review.

4.8.2 There were 8 final audit reports issued in this category. Listed below are the audits completed with the respective Directorate and Executive portfolio shown in brackets and also opinion level given. Details of overall findings were included in the respective quarterly update reports for CLT and the Accounts and Audit Committee, and for reports issued in the final quarter, a summary of findings is shown in Appendix A.

Final Reports issued:

Reported in Quarter 2 Audit and Assurance update:

- Coppice Avenue Library (T&R) / (Transformation and Resources): Low/Medium

Reported in Quarter 3 Audit and Assurance update:

- Stretford Library (T&R) / (Transformation and Resources): Medium/High
- Stretford Children's Centre (CFW) / (Children's Services) : Medium
- Home to School Transport (CFW) / (Children's Services) : Medium/High
- Client finances follow up audit (T&R; CFW) / (Transformation and Resources; Adult Social Services and Community Wellbeing): Medium

Issued in Quarter 4 (See appendix A for overall findings):

- Out of Borough Education Placements (CFW) / (Children's Services): Low/Medium
- Section 106 Planning Agreements and the Community Infrastructure Levy (EGEI) / (Economic Growth, Environment and Infrastructure) : Medium/High
- Sale Waterside Arts Centre – Bar stock follow up review (T&R) / (Transformation and Resources): Medium/High.

4.8.3 In respect of the two reviews reported above where a less than adequate opinion was given (Low/Medium), these reviews have been included for follow up in the 2017/18 Internal Audit Plan.

- In respect of an audit of financial administration processes in relation to Out of Borough Education Placements, this highlighted the need to improve procedures for maintaining

records to support financial monitoring and assist in processes for the forecasting of future spending.

- In respect of the review of Coppice Avenue Library, Audit shared guidance and made recommendations to the Library Service with the aim of further developing details within the partnership agreement with BlueSci, a Trafford Wellbeing Community Interest Company, who jointly operate the library with the Council. This was to ensure roles and responsibilities in respect of various aspects of governance and performance management are more clearly defined within the partnership arrangement.

4.8.4 In addition to the final reports issued, a draft report was shared for discussion with management in respect of a review undertaken of the administration of the Housing Waiting List administered by Housing Options Service Trafford (EGEI)/(Environment, Growth and Infrastructure). It is expected that a final report will be issued in quarter one 2017/18.

4.8.5 A planned follow up audit review of Taxi Licensing (EGEI)/(Environment, Growth and Infrastructure) was in progress at the year-end and a draft report was issued in quarter one 2017/18.

4.8.6 Initial planning commenced for the following reviews and it was agreed that audit fieldwork will commence in quarter one 2017/18.

- Follow audit review of Schools Catering (T&R) / (Transformation and Resources)
- Review of Aids and Adaptations (CFW) / (Adult Social Services and Community Wellbeing).
- Corporate Health and Safety (T&R) / (Transformation and Resources)

4.8.7 Further to a previous audit review, time was also set aside to follow up progress in relation to corporate developments in business continuity to ensure adequate arrangements are in place (also see 4.7.2 re disaster recovery). An update on progress is to be reported as part of the Council's 2016/17 Annual Governance Statement as well as through future strategic risk register updates. Audit will monitor progress further in 2017/18.

4.8.8 As stated in the 2017/18 Annual Internal Audit Plan report issued in March 2017, in agreement with the EGEI Directorate, an audit review of Planning Enforcement has been rescheduled from 2016/17 to be included in the 2017/18 Plan.

4.9 Grant Claims

4.9.1 Audit has been required to carry out checks to support information contained in a number of grant claims made during the year in line with national requirements in relation to funding received. In each case, based on the checks undertaken, adequate assurance was obtained to support the claims made.

4.9.2 During 2016/17, work included internal audit checks of the following: Integrated Transport and Highways Maintenance Grant 2015/16; Local Growth Fund 2015/16; Cycling Ambition Grant (2 grant claims during 2016/17); Public Health Grant 2015/16;

4.9.3 In addition, Audit has completed sample checks through the year to support claims made relating to the Council's Stronger Families Programme. Audit checks were also completed in support of a 2015/16 pension data return submitted by the Council to the Greater Manchester Pension Fund.

4.10 Service advice/ Projects/ Boards

4.10.1 Advice was provided through the year across the Council on governance and control issues. As referred in other sections of this report, Audit has contributed to updating guidance in respect of Anti-Fraud and Corruption and risk management. Audit has also responded to requests through the year to provide guidance on various aspects of internal control. During the year, this has included guidance to services across the Council as well as Trafford Youth Trust and Trafford Leisure. Guidance has included issues relating to financial procedural documentation, cash handling procedures etc. The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption which has been updated during the year.

4.10.2 Internal Audit has contributed through the year to the work of the Information Security and Governance Board. This has included input to its Action Plan which has included providing advice in the development of the corporate information governance risk register and updating guidance on the intranet in relation to information governance risks. The Service has contributed to the process for preparing for the Information Commissioners' Office (ICO) Audit review which took place in January 2017. The ICO Audit reported that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. Findings from the ICO Audit are being taken into account in considering future internal audit plans in relation to information governance.

4.10.3 In the latter part of the year, Audit has been part of the project team contributing to developing the Council's digital strategy and digital transformation brief as part of the Trafford 2031 Vision which will progress through 2017/18.

5. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

5.1 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.

5.2 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

5.3 Most audit recommendations made during the year were accepted by management. Of the 133 Priority 1 recommendations made, all were accepted i.e. 100%. (Of these 65 recommendations related to school audits with 68 relating to all other reviews).

5.4 The acceptance rate for priority 2 and 3 recommendations was 98%, i.e. 183 of the 186 recommendations made. (Of these 107 recommendations related to school audits with only 1 recommendation not agreed with 79 recommendations relating to other audits with only 2 recommendations not agreed).

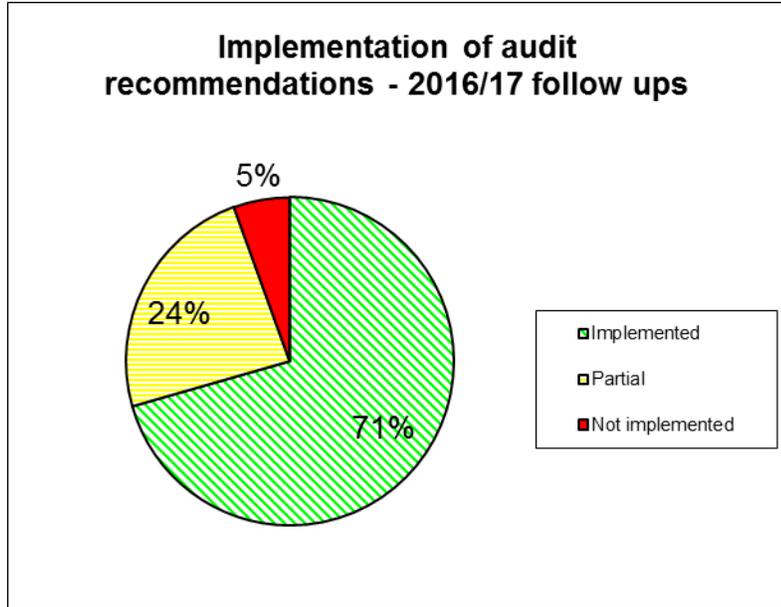
5.5 Overall, 99% of all recommendations were accepted (compared to 93% in 2015/16). The service target is currently set at 95%.

Implementation of audit recommendations

5.6 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. This may be either through a further audit review or through manager self- assessment.

5.7 Details of individual follow up reviews for the first three quarters of the year are set out in the quarterly Audit and Assurance update reports. Details for the final quarter of 2016/17 are included in Appendix A together with details of the acceptance rate for recommendations in that quarter.

5.8 For all follow up work undertaken, an analysis of the percentage of recommendations implemented at the time of the respective follow up reviews is shown in the following chart.



5.9 From the reviews undertaken, of a total of 163 recommendations followed-up during 2016/17, it was reported that 115 (71%) had been implemented at the time of the follow up audit reviews (this compares to 64% reported in the previous year). A further 39 (24%) have been partially implemented or are in progress (22% reported in the previous year). 9 recommendations (5%) have not been implemented (compared to 14% in the previous year).

5.10 It should be noted that of the above 163 recommendations analysed above, these relate to the following in terms of recommendations excluding schools and recommendations specific to school audits.

Recommendations Followed Up <u>Excluding Schools</u>		Recommendations followed up- <u>School Audits</u>	
Total Number	80	Total Number	83
Recommendations Implemented or no longer applicable	73%	Recommendations Implemented or no longer applicable	69%
Recommendations Implemented in part/in progress	25%	Recommendations Implemented in part/in progress	23%
Recommendations not implemented	2%	Recommendations not implemented	8%

In Appendices A and C, * denotes against the Audit opinion that the review is specifically a follow up audit. Where appropriate, revised opinions were given after each follow-up review had been completed.

Client feedback

- 5.11 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.
- 5.12 The overall rating was good or very good for 87% of the responses (97% in 2015/16) against a service target of 85%. In terms of impact, 70% of respondents stated that following the audit review, it was expected that there would be a moderate improvement (62%) or significant improvement (8%) in the standard of control. An analysis of the responses is shown in Appendix D.
- 5.13 The analyses of recommendations, follow-ups and client responses demonstrates an overall positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

6. PERFORMANCE AGAINST AUDIT PLAN

- 6.1 Actual time spent delivering the Plan was 1017 days (99% of the chargeable planned target of 1020 allocated days). In addition to the planned allocated days, there was a further 60 planned days for contingency which by year-end was utilised to account for a vacant post which has now been deleted. An analysis of planned time against actual days spent in 2016/17 is shown in Appendix B.
- 6.2 Within each category, there are some variations between planned and actual days. It is noted that more time had been spent on schools than planned which partly relates to increased time being spent in the final quarter of the year following the addition of further schools to the audit plan.
- 6.3 In the 2016/17 Internal Audit Plan, a target was set of 35 audit opinion reports to be issued. There were 38 final audit opinion reports and 1 draft report issued during the year. In addition, there were 2 initial draft reports shared for discussion with respective services.
- 6.4 Appendix C shows an analysis of audit opinion reports issued during the year. It also highlights any work in progress or rescheduled to 2017/18. The 2017/18 Internal Audit Plan reported to CLT and the Accounts and Audit Committee in March 2017 took account of reviews to be carried forward from 2016/17.

7. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 7.1 It is a requirement that the Annual Head of Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS). The Service undertakes its work, generally in conformance with the Standards.
- 7.2. The Standards incorporate a number of aspects including:

- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
- Purpose, authority and responsibility of Internal Audit.
- Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).

- 7.3. Key actions planned which were highlighted in the 2015/16 Annual Head of Internal Audit Report were actioned in 2016/17 to support conformance included the following:
- Further review and update of the Internal Audit Charter and Strategy, which includes the Service's Quality Assurance and Improvement Programme. These documents were approved by the Accounts and Audit Committee in March 2017.
 - As previously planned, a number of other documented procedures within the Audit Manual were reviewed and updated including the planning and management of audit assignments and audit reporting.
 - Progress was made in ensuring an external assessment takes place prior to March 2018. In agreement with the 2016/17 Chair of the Accounts and Audit Committee and the Chief Finance Officer, the Audit and Assurance Manager has arranged for a planned external assessment to be completed by CIPFA (provisionally arranged for November 2017).
 - As referred to in 4.5.10, the Anti-Fraud and Corruption Policy, Strategy and guidance were reviewed and updated in liaison with other services.
 - Recruitment during the year and training undertaken resulted by the year-end in the Service having two staff with counter fraud qualifications, the CIPFA Accredited Counter Fraud Specialist and CIPFA Accredited Counter Fraud Technician.
- 7.4 In accordance with its Quality Assurance and Improvement Programme, the Service continued to report on its work through the year to both CLT and the Accounts and Audit Committee which included both updates on progress against the 2016/17 Plan; the impact of audit work; client feedback and approval of the Internal Audit Plan for 2017/18.
- 7.5 All staff are required to complete a declaration to sign up each year to the Service Code of Conduct, Ethics and Values which includes the requirement to conform with requirements of PSIAS.
- 7.6 At the year-end, the Service completed a self- assessment exercise to review processes in place against details set out in PSIAS for 2016/17. Based on the self-assessment undertaken by Audit and Assurance, a number of actions are planned with the relevant PSIAS reference shown in brackets. These include:
- Ensuring an external assessment has been completed by the end of 2017/18 in accordance with requirements in the PSIAS. (PSIAS 1312 - External Assessments).
 - Further review and update the Internal Audit Charter in 2017/18 to take account of updates to the PSIAS, effective from April 2017. (PSIAS 1000 - Purpose, Authority and Responsibility)

- Further review the content of the Audit Manual to take account of updates to the PSIAS effective from 1 April 2017. (PSIAS 2040 - Policies and Procedures).
- Through the year, continue to work with Legal and Democratic Services to implement changes in responsibilities for compilation of the AGS. Given Legal and Democratic Services is to lead on its production for 2017/18, consider Audit input going forward as part of future audit planning. (PSIAS 2010 - Planning).
- Further to the ICO Audit completed in March 2017, Audit will continue to liaise with the Information Governance team to consider, as part of audit planning, the further development of the approach to data protection related audits. (PSIAS 2010 - Planning).

- 7.7 It is also noted that there continue to be a small number of standards where Local Authorities have commonly found it impractical to achieve full compliance given existing structures and reporting arrangements. This includes arrangements for performance appraisal in terms of particular Officer / Member roles in this process given the Council works to an established process.
- 7.8 Audit and Assurance continue to liaise with other north-west local authorities to share good practice which includes considering issues in relation to PSIAS.
- 7.9 In respect of the external review to be completed later in 2017/18, the Service will also consider any further actions for development identified through that process.

APPENDIX A

INTERNAL AUDIT REPORTS ISSUED IN QUARTER 4 2016/17

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.

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1- 4)	-OPINION -R/A/G -Date Issued	COMMENTS
<u>FINAL REPORTS</u>		
<u>Level 4 Reports:</u>		
Social Value Of Procurement (T&R) / (Transformation and Resources)	Medium /High (GREEN) (6/2/17)	The audit was completed by Audit and Assurance on behalf of all three Local Authorities within the STAR Shared Procurement Service. The audit identified satisfactory systems and controls in place in connection with the majority of areas reviewed. Ongoing progress is being made to develop arrangements for monitoring performance indicators in respect of Social Value.
IT Change Management (T&R) / (Transformation and Resources)	Medium (GREEN) (27/2/17)	Overall, adequate controls are in place to address most business risks reviewed. It was acknowledged that the Council has been developing processes in relation to its change management approach since 2015/16. The report identifies a number of areas where development is ongoing and agreed actions are confirmed in the report.
Accounts Payable (T&R) / (Finance)	Medium (GREEN) (24/1/17)	The audit report highlights a number of improvements made since the previous review. Further developments required were highlighted including ensuring adequate corporate training is in place to support procurement processes; and ensure adequate controls are in place to ensure that the Accounts Payable team have up to date details of the Scheme of Delegation for expenditure approval across all service areas.
Budgetary Control (T&R/Authority-Wide) / Finance	High (GREEN) (15/3/17)	Overall, the arrangements for budgetary control were found to be operating effectively with only a small number of recommendations made. All areas for improvement identified in the corporate budget monitoring action plan have been actioned.
Section 106 Planning Agreements and the Community Infrastructure Levy (EGEI) / (Economic Growth, Environment and Infrastructure)	Medium /High (GREEN) (1/3/17)	Overall, a good standard of control was found to be in place for the areas reviewed. A procedural manual is in place, responsibilities are clearly assigned with regular reporting in place. A small number of recommendations were made in respect of recording keeping both in relation to Section 106 Planning Agreements and the administration of the Community Infrastructure Levy scheme.
Liquid Logic/ContrOCC system and IT Security review (CFW and T&R) / (Adult Social Services & Community Wellbeing and Finance)	Medium (GREEN) (24/1/17)	A review of the Adult Social Care payment and charging system was undertaken. The review highlighted good progress had been made implementing relevant recommendations made as part of a review of the previous system in place (Softbox). Some further recommendations were made in relation to various aspects of the system and supporting processes including payments to providers, client contributions and deferred payments. A number of recommendations have also been made in relation to management of the IT Access Controls for the system.
<u>Level 3 Reports:</u>		
Direct Payments – Adult Services (CFW)	Medium (GREEN)	A review was undertaken of procedures within Adult Services for making Direct Payments i.e. monetary payments made to individuals

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

/ (Adult Social Services and Community Wellbeing)	(24/1/17)	who request to receive one to meet all or some of their eligible care and support needs. Overall, effective procedures were in place for assessing needs and the setting up and payment of Direct Payments. Recommendations made included establishing a policy in relation to Direct Payments, updating procedural guidance and ensuring adequate service procedures are in place to carry out checks of payments made and client contributions.
Out of Borough Education Placements (CFW) / (Children's Services)	Low /Medium (AMBER) (22/2/17)	This review covered financial administration aspects (and not safeguarding issues). Systems and controls were found to be in need of improvement in a number of areas covered. To support financial monitoring and assist in processes for the forecasting of future spending, improvements are required for maintaining records of details regarding individuals who receive Out of Borough Placement support and those from other Authorities supported by Trafford, ensuring individual agreements and contracts are readily accessible. A further internal audit review is included in the 2017/18 Internal Audit Plan to follow up progress in implementing improvements.
<u>Level 1 Reports:</u>		
Sale Waterside Arts Centre - Bar Stock Follow Up (T&R) / (Transformation and Resources)	Medium /High * (14/2/17)	A follow-up review was undertaken to review progress in implementing recommendations made in the previous 2015/16 review of controls in relation to Sale Waterside Arts Centre bar stock. Findings indicated that significant improvements had been made with a new system and associated procedures in place. All three previous audit recommendations had been implemented.
Tyntensfield Primary School (CFW) / (Children's Services)	Medium /High (GREEN) (6/2/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to market testing for purchases and procedures for maintaining the inventory of assets.
Victoria Park Infant School (CFW) / (Children's Services)	Medium (GREEN) (14/2/17)	Systems and controls were found to be adequate across most areas covered. An area for improvement included the need for the school to produce a business continuity plan. A number of recommendations were made in relation to asset security including inventory maintenance.
Woodheys Primary School (CFW) / (Children's Services)	Medium (GREEN) (20/2/17)	Systems and controls were found to be adequate across most areas covered. Recommendations made included improved procedures for cash security, petty cash administration and the monitoring of income and expenditure for lettings.
Brooklands Primary School (CFW) / Children's Services)	Medium /High (GREEN) (21/3/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to procedures for maintaining the inventory of assets and also administering lettings.
Stamford Park Junior School (CFW) / (Children's Services)	Medium (GREEN) (22/3/17)	Systems and controls were found to be adequate across most areas covered. A key area for improvement is the need to formally approve a scheme of delegation summarising key financial limits. This should include authorisation of expenditure and processes for obtaining quotes and tenders.
Reports at draft stage		
Comments		
Barton Clough Primary School		As at 31/3/17, the draft report had been issued. The final report is due to be issued in Quarter 1 of 2017/18 and details will be reported in the

Trafford Council
 Audit and Assurance Service
 Annual Report of the Head of Internal Audit 2016/17

(CFW) / Children's Services)	Quarter 1 Audit and Assurance update.
Housing Waiting List (EGEI) / (Economic Growth, Environment and Infrastructure)	As at 31/3/17, an initial draft report was shared with the Service. The final report is due to be issued in Quarter 1 of 2017/18 and details will be reported in the Quarter 1 Audit and Assurance update.
Well Green Primary School (CFW) / (Children's Services)	As at 31/3/17, an initial draft report was shared with the School. The final report is due to be issued in Quarter 1 of 2017/18 and details will be reported in the Quarter 1 Audit and Assurance update.
	<i>*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.</i>

Quarter 4 2016/17 - Acceptance of Recommendations

From the final audit opinion reports issued during the quarter (as listed above) 167 of the 170 recommendations made were accepted (98%).

Quarter 4 2016/17 – Implementation of Recommendations

In addition to the follow up audit listed above re Sale Waterside Arts Centre, in respect of three other audits previously completed, managers were requested to provide an update on progress in implementing recommendations made. Details are as follows:

- Broomwood Primary School (CFW) (Children's Services) - All 3 recommendations previously agreed had been implemented.
- Moss Park Junior School (CFW) / (Children's Services) – All 7 recommendations previously agreed had been implemented.
- Barge Project (CFW) (Children's Services) – Of the 11 recommendations previously made, 10 had been implemented or no longer applicable and 1 was in progress.

APPENDIX B

2016/17 Operational Plan: Planned Work and Actual Days Spent

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2016/17</u>	<u>Actual Days 2016/17</u>
Fundamental Systems	<p>Completion of fundamental financial systems reviews: See Section 4.3 for work completed and Appendix C for opinion reports issued or planned to be issued.</p>	230	194
Governance	<p>Corporate Governance Review / Collation of supporting evidence and production of the 2015/16 Annual Governance Statement (AGS) Corporate Governance Code updated in June 2016 and 2015/16 AGS completed in September 2016.</p> <p>Development of approach for 2016/17 AGS and ongoing advice / assurance gathering in respect of governance issues both across Council and partnership arrangements which will assist in informing 2016/17 AGS. 2016/17 AGS approach/timetetable was produced and agreed by the Accounts and Audit Committee in February 2017 as planned. Work commenced in reviewing the Corporate Governance Code and facilitating the compilation of the 2016/17 AGS.</p>	50	38
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy:</p> <ul style="list-style-type: none"> - Strategic Risk update reports issued in July and November 2016 and March 2017. - Risk management guidance on intranet updated in September 2016. - Updated Risk Management Policy and Strategy reviewed and approved in March 2017. 	30	26
Anti-Fraud and Corruption	<p>Investigation of referred cases: (As referred to in Section 4.5 of this report). Work in co-ordinating the reporting of the Council's NFI data matching exercise: Liaison with relevant services to ensure the</p>	140	139

Trafford Council
 Audit and Assurance Service
 Annual Report of the Head of Internal Audit 2016/17

	<p>required data for NFI was submitted in October 2016 as planned and data matches started to be reviewed from January 2017.</p> <p>Work to review the existing Anti- Fraud and Corruption Strategy and Policy, including where applicable, raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption:</p> <p>Work completed in liaison with Counter Fraud team in respect of awareness raising re fraud reporting. Updated Anti-Fraud and Corruption Policy, Strategy and supporting guidance approved by the Accounts and Audit Committee in March 2017.</p>		
Procurement / Contracts/ Value for money	<p>Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money. (This will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>See Section 4.6 for work completed and Appendix C for opinion reports issued and planned.</p>	70	53
ICT / Information Governance	<p>Audit reviews to be completed in line with the ICT audit plan:</p> <p>See Section 4.7 for work completed and Appendix C for audit opinion reports issued and planned.</p>	60	54
Schools	<p>Support the Council in working with schools to adhere to the Schools Financial Value Standard (SFVS). Undertake School Audit reviews (at least 15 audit reviews to be undertaken)</p> <p>See Section 4.4 for work completed and Appendix C for audit opinion reports issued and planned. (12 final reports and 1 draft report issued, 3 further audit visits completed and 2 at planning stage).</p>	170	228
Assurance – Other Key Business Risks	<p>Selected on the basis of risk from a number of sources including senior managers’ recommendations, risk registers and internal audit risk assessments. Reviews will include authority wide issues and areas relating to individual services, establishments and functions.</p> <p>See Section 4.8 for work completed and Appendix C for audit opinion reports issued and planned.</p>	180	185
Grant claims checks / Data Quality	<p>Internal audit checks of grant claims / data returns as required.</p> <p>Checks completed in 2017/18 have covered:</p>	30	43

Trafford Council
 Audit and Assurance Service
 Annual Report of the Head of Internal Audit 2016/17

	-Local Growth Fund -Public Health -Cycling Ambition Grant Phase 1 and 2 -Integrated Transport and Highways Maintenance. -Stronger Families Programme -Payroll / Greater Manchester Pension Fund		
Service Advice / Projects	General advice in respect of control, risk and governance across council services, projects etc. Ongoing advice across Council services. Provision of guidance including update of Audit intranet site. Membership of Information Security Governance Board (ISGB) and support in progressing the ISGB Action Plan. Work with Transformation Team to support development of Digital Strategy	60	57
TOTAL		1020	1017

APPENDIX C

Audit Opinion Reports Issued 2016/17

<u>Audit Opinion Reports:</u> <u>Title / (Corporate Directorate)/ (Executive Portfolio)</u>	<u>Status</u>	<u>Opinion Level</u>	<u>Future plans (where final report not yet issued)</u>
Fundamental Systems			
-Payroll (T&R) / (Transformation and Resources)	Final report 29/6/16	Medium/High	-
-Income Control (T&R) (Finance)	Final report 7/11/16	Medium/High	-
-NDR (T&R) / (Finance)	Final report 28/4/16	High	-
-Council Tax (T&R) / (Finance)	Final report 7/4/16	High	-
-Benefits/Council Tax reduction (T&R) / (Finance)	Final report 28/11/16	High	-
-Treasury Management (T&R) / (Finance)	Final report 10/11/16	High	-
-Cash Expenditure Control (T&R) / (Finance)	Final report 12/5/16	Medium	-
-Cash Income Control (T&R) / (Finance)	Final report 30/6/16	Medium	-
-Insurance (T&R) / (Finance)	Final report 7/7/16	Medium/High	-
-Accounts Payable (T&R) / (Finance)	Final report 24/1/17	Medium	-
-Liquid Logic/ContrOCC system (CFW; T&R) / (Adult Social Services & Community Wellbeing; Finance)	Final report 24/1/17	Medium	-
-Direct Payments (CFW) / (Adult Social Services & Community Wellbeing)	Final report 24/1/17	Medium	-
-Budgetary Control (T&R/Authority-Wide)	Final report 15/3/17	High	-
-Accounts Receivable & Debt Recovery (T&R) / (Finance)	Not started	-	Delayed at request of relevant service Rescheduled to start by Q2 of 2017/18.
-Let Estates (EGEI) / (Economic Growth, Environment and Infrastructure)	Not started	-	Delayed at request of relevant service. To start by Q2 of 2017/18.

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

<p>Procurement /Contracts /Value for money</p> <ul style="list-style-type: none"> - Parking Enforcement Contract (EGEI) / (Economic Growth, Environment and Infrastructure) - Review of Social Value in Procurement (STAR authorities) (T&R) / (Transformation and Resources) - One Trafford Partnership - Governance/monitoring (EGEI) <p>(Note work also undertaken with regular liaison with Audit Sections of STAR partners including input to STAR audit reviews undertaken - 1 follow up final audit report issued by Stockport Council in April 2016 on behalf of Stockport, Rochdale and Trafford Councils – STAR Contracts Register review).</p>	<p>Final report 7/10/16</p> <p>Final report 6/2/17</p> <p>Planning stage</p>	<p>Medium</p> <p>Medium/High.</p>	<p>-</p> <p>-</p> <p>Agreed with EGEI for review to commence in Q1 of 2017/18 further to completion of 2016/17 scrutiny review.</p>
<p>ICT Audit</p> <ul style="list-style-type: none"> -IT Governance and Security in Schools follow up audit review (CFW; T&R) / (Children’s Services; Transformation and Resources) - IT Applications (Financial systems): Access Controls Follow Up Review (T&R) / (Transformation and Resources) - Liquid Logic/ContrOCC system IT review (CFW; T&R) / (Adult Social Services & Community Wellbeing; Finance) - IT Change Management (T&R) / (Transformation and Resources) - Cyber Security follow up review (T&R) / (Transformation and Resources) <p>(Note: -IT Disaster Recovery – There is ongoing liaison with IT in respect of developments in this area with updates to be reflected where applicable in the Strategic Risk Register and Annual Governance Statement updates in</p>	<p>Final report 11/5/16</p> <p>Final report 21/10/16</p> <p>(Findings issued as part of respective financial system review – see above). Final report 27/2/16</p> <p>Not started</p>	<p>High*</p> <p>Medium/High *</p> <p>-</p> <p>Medium</p> <p>-</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>To commence Q1/2 of 2017/18.</p>

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

respect of business continuity).			
-Information Governance (see Appendix B - Service Advice).			
Schools (CFW) / (Children's Services)			
-Springfield Primary School - follow up audit	Final report 10/11/16	Medium *	-
-All Saints Catholic Primary School - follow up audit	Final report 20/7/16	Medium/High *	-
-Moss Park Junior School	Final report 22/4/16	Medium/High	-
-St.Joseph's Catholic Primary School	Final report 6/7/16	Medium/High	-
-Brentwood School	Final report 11/7/16	Medium/High	-
-Blessed Thomas Holford Catholic College	Final report 5/9/16	Medium/High	-
-Urmston Infant School	Final report 17/10/16	Medium	-
-Tyntesfield Primary School	Final report 6/2/17	Medium/High	-
-Victoria Park Infant School	Final report 14/2/17	Medium	-
-Woodheys Primary School	Final report 20/2/17	Medium	-
-Brooklands Primary School	Final report 21/3/17	Medium/High	-
-Stamford Park Junior School	Final report 22/3/17	Medium	-
-Barton Clough Primary School	Draft report issued.	-	Final report (including audit opinion) to be issued Q1 of 2017/18.
-Well Green Primary School	Initial draft report shared with Headteacher	-	Final report (including audit opinion) to be issued Q1 of 2017/18.
-Our Lady of the Rosary RC Primary School	Audit visit completed.	-	Final report (including audit opinion to be issued Q1 of 2017/18.
-Wellfield Junior School	Audit visit completed.	-	Final report (including audit opinion to be issued Q1 of 2017/18.
-Wellfield Infant and Nursery School	Planning stage (audit visit in April 2017)	-	Audit visit to commence and final report to be issued in Q1 of 2017/18.
-Bollin Primary School	Planning Stage (audit visit in May 2017).	-	Initial work undertaken with audit visit arranged to complete review and issue draft report in Q1 of 2017/18.
(Note other work completed includes follow up of previous opinion reports through school self-assessments: -Lostock College - St.Hilda's C of E Primary School - Moss Park Junior School - Broomwood Primary School).			

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

Assurance – Other Key Business Risks			
-Coppice Avenue Library (T&R) / (Transformation & Resources)	Final report 30/8/16	Low/Medium	-
-Stretford Library (T&R) / (Transformation & Resources)	Final report 18/11/16	Medium/High	-
-Stretford Children's Centre (CFW)/(Children's Services)	Final report 7/10/16	Medium	-
-Home to School Transport (CFW)/(Children's Services)	Final report 3/11/16	Medium/High	-
-Client Finances follow up (T&R; CFW) / (Transformation and Resources; Adult Social Services and Community Wellbeing)	Final report 3/10/16	Medium *	-
-Out of Borough Education Placements (CFW) / (Children's Services)	Final report 22/2/17	Low/Medium	-
- Section 106 Planning Agreements & the Community Infrastructure Levy (EGEI) / (Economic Growth, Environment and Infrastructure)	Final report 1/3/17	Medium/High	-
-Sale Waterside Arts Centre - Bar stock follow-up review (T&R) / (Transformation and Resources)	Final report 14/2/17	Medium/High *	-
- Housing Waiting List (EGEI) / (Economic Growth, Environment and Infrastructure)	Initial draft report shared with Service.	-	Final report (including audit opinion to be issued in Q1 of 2017/18.
-Taxi Licensing follow-up review (EGEI) / (Economic Growth, Environment and Infrastructure)	Audit fieldwork in progress	-	Final report (including audit opinion to be issued in Q1 of 2017/18.
-Aids and Adaptations (CFW) / (Adult Social Services & Community Wellbeing)	Planning Stage	-	Audit fieldwork to commence in Q1 of 2017/18.
-Corporate Health and Safety (T&R/Authority-wide)	Planning Stage	-	Audit fieldwork to commence in Q1 of 2017/18.
-Schools catering follow-up review (T&R) / (Transformation and Resources)	Planning Stage	-	Audit fieldwork to commence in Q1 of 2017/18.
-Planning Enforcement (EGEI) / (Economic Growth, Environment and Infrastructure)	Not started	-	Agreed with Service to reschedule to later in 2017/18.
Notes: In respect of Business Continuity, following up on previous audit findings, an update on this area is to be reported within 2016/17 AGS and further audit work to be considered in 2017/18 further to this. (Also see ICT Audit).			
Other work completed includes follow ups of previous			

**Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17**

opinion reports through manager self assessments: -Registrars Income -Section 17 Payments (Children's Act 1989) -Development Management). -CFW Barge Project).			
--	--	--	--

*Follow up review

APPENDIX D

Client Survey Responses 2016/17

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	7	5		1	
Feedback of findings and liaison during the audit	10	2		1	
Professionalism of auditors	12		1		
Helpfulness of auditors	11	1		1	
Timeliness of the review and the draft report	3	7	2		1
Clarity of the report	8	4		1	
Accuracy of the report	7	4	1	1	
Practicality of the recommendations made	3	6	3		
Usefulness of the audit as an aid to management	8	4	1		
Total	69	33	8	5	1
%	59%	28%	7%	5%	1%
	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?		1	8	3	1
%		8%	62%	23%	7%

(Note: the results are based on responses from 13 client surveys received in the period. It should be noted that any responses of “poor” or “adequate” relate to one client survey, the details of which have been followed up with the relevant service).