

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 June 2014
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Internal Audit Report 2013/14

Summary

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2013/14
- To provide a summary of the work of the Audit and Assurance Service during 2013/14.

(It should be noted that, as planned, there is work ongoing on the annual fundamental financial system audits covering 2013/14 (through quarters one and two of 2014/15) and details will be reported in 2014/15 quarterly updates to the Accounts and Audit Committee. The results of 2013/14 financial system review work will be taken into account in completing the final version of the Council's 2013/14 Annual Governance Statement to be approved in September 2014).

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 Internal Audit Report 2013/14

June 2014

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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 2013/14. 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 2013/14, 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 2013/14 in conformance with the Public Sector Internal Audit Standards (which came into effect from 1 April 2013 replacing the CIPFA Code of Practice for Internal Audit in Local Government).

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. The Service aims to assist in shaping ethics and standards across the Council. Ongoing financial pressures for local authorities to achieve savings highlights the need for organisations 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.

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 2013/14.

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.

It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2014. Any further issues relating to work undertaken after that time are covered in future updates including quarterly reports to the Corporate Management Team and the Accounts and Audit Committee.

Based on internal audit work undertaken for 2013/14, the Internal Audit Opinion is that, overall, the control environment is operating to a satisfactory standard. A number of areas were identified where improvements in controls were identified and in such instances, improvement plans were produced to address recommendations. Follow up work of areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks identified. Areas identified for improvement will be further followed up in 2014/15.

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 2013/14. The Annual Audit Report provides an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2013/14.
- 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. PSIAS replaced the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom'. 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 Director of Finance.
- 1.4 The establishment of the Audit and Assurance Service comprised 9.57 full time equivalent (FTE) staff at the start of 2013/14. (It should be noted that one officer left the Council in December 2013 and work in the final quarter of the year was undertaken by 8.57 FTE staff).
- 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 Charter and Strategy, the latest version being approved by the Accounts and Audit Committee in March 2014. 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 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 2013/14. 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 2013/14

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 2013/14 is as follows.

Based on internal audit work undertaken for 2013/14, the Internal Audit Opinion is that, overall, the control environment is operating to a satisfactory standard. A number of areas were identified where improvements in controls were identified and in such instances, improvement plans were produced to address recommendations. Follow up work of areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks identified. Areas identified for improvement will be further followed up in 2014/15.

2.2 The most important factors determining the opinion are:

- Review work in respect of governance arrangements showed that overall adequate and effective standards of governance continue to be maintained within the areas reviewed. Further assurance is to be gathered in 2014/15 in respect of some aspects of partnership governance (see 5.1).
- Key risks identified in the Strategic Risk register continue to be monitored including planned improvement actions. Risk management guidance available to officers has been updated during the year (see 5.2).
- Overall, controls around fundamental financial systems have continued to be maintained based on review work undertaken – further review work in relation to systems in operation and transactions relating to 2013/14 is to be completed and reported on through 2014 (see 5.3).
- Governance and internal control arrangements in the majority of schools and establishments were generally found to be satisfactory. Audit opinions which were less than adequate will be followed up further in 2014/15 (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. Where applicable, associated review work has included reporting on recommended control improvements (see 5.6).
- In respect of ICT systems, most reviews identified effective controls to be in place. Actions have been taken during the year to address areas for improvement. In respect of Information Governance, corporate arrangements have been reviewed and further developed during the year (see 5.7).
- Procurement reviews undertaken indicate, overall, adequate levels of control. Future audit review work in respect of corporate arrangements with the development of the Council's Strategic Procurement Service as a shared service with Stockport and Rochdale Councils (STaR) is to be considered in 2014/15. (see 5.8).

- A diverse range of other areas reported on and / or reviewed during the year such as the Local Welfare Assistance Scheme, Business Continuity, Corporate Health and Safety, Carrington Weighbridge Waste Transfer, Street Trading, Pest Control, Section 106 Planning Agreements, Client Finances and the Youth Offending Service. Whilst the majority of areas have adequate levels of control, areas for improvement have been highlighted where applicable (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 2013/14 is given in the paragraphs below.

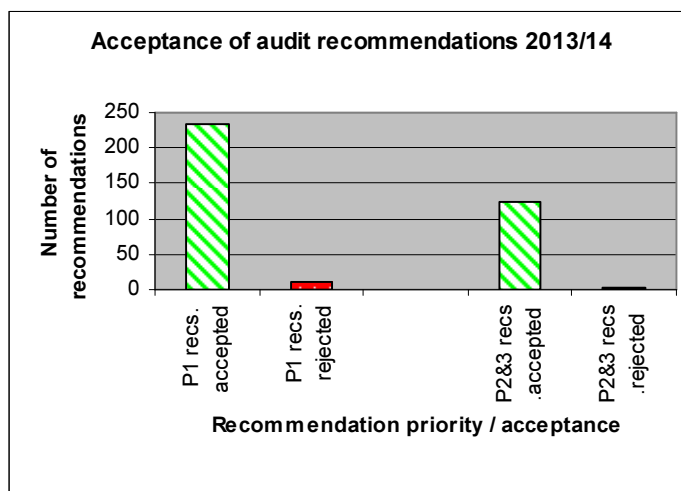
3. IMPACT OF INTERNAL AUDIT WORK ON THE CONTROL ENVIRONMENT

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.

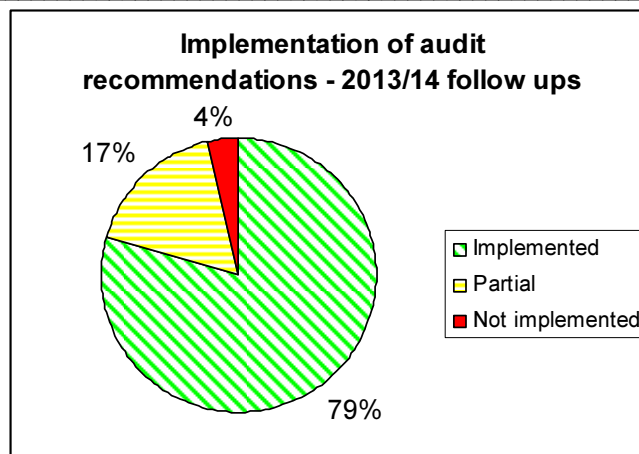
Coverage and Improvements in the Control Environment

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 Impact is reviewed through both the acceptance and implementation of recommendations. **96% 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).



3.4 Follow-up work during the year has confirmed that, of the areas reviewed, **96% of recommendations have either been fully or partially implemented** (compared to 83% 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

3.5 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:

- Facilitating the roll out of an e-learning tool on anti-fraud and corruption across the Council.
- Reviewing and updated existing risk management guidance available on the Council's intranet.
- Providing input to a corporate review of systems and processes within the Environment, Transportation and Operations Directorate through reviewing procedures and providing advice within a number of areas including the Stores function and Street Lighting team.
- Facilitating two training sessions in July 2013 held for school governors on the role of Internal Audit including a presentation on fraud awareness.
- A presentation on the Role of Internal Audit to an induction event for new Headteachers in September 2013.
- The issue of a document setting out guidance in respect of operating school fund accounts which was produced by Audit and shared with all schools via the schools e-bulletin.
- Input to a number of boards / project groups across the Council, including the Information Security Governance Board established during the year.
- The dedicated site on the intranet for the Audit and Assurance Service to provide information and guidance, which has been updated during the year.

Breadth of Stakeholders

3.6 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

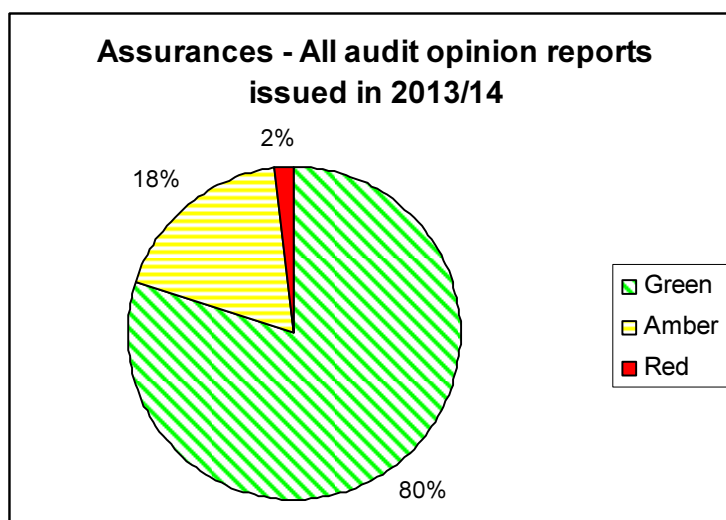
- 4.1 Total time allocated to carry out the Operational Plan was originally set at 1320 days for 2013/14. This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2013/14 Annual Audit Plan was 1322. 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 2013/14 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.
- 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 reviews relating to 2013/14 transactions are to be reported after the year end, with reports being issued from June 2014 onwards. (Details of reports issued will be provided in quarterly Audit and Assurance Service updates to CMT and the Accounts and Audit Committee through 2014/15).
- 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 internal audit reports issued in 2013/14.

All Reports issued in 2013/14 – (43 final and 7 draft reports)



4.6 Overall, the above shows that in 2013/14, an adequate or above (“Green”) level of control was found to be in place for 80% of the 50 reviews that took place where an opinion was given. (This compares to 87% of opinions in 2012/13).

4.7 20% of opinions were deemed as ‘red’ or ‘amber’ (representing ten reviews – Nine Amber and One Red). These were as follows:

- Business Continuity Review (The Low/Medium opinion reflected, at the time of the audit, further work required to embed arrangements within some individual service areas. (See 5.9.3).
- Information Governance Review (The Low/Medium opinion reflected the position at the time of the audit in respect of work needed to meet national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network). Since the audit, PSN accreditation was obtained and an Information Governance toolkit completed in order to obtain NHS N3 accreditation. The establishment of an Information Security Governance Board have also strengthened corporate arrangements since the original audit was undertaken (See 5.7.5).
- Integrated Children’s System (ICS) / Electronic Common Assessment Framework (e-CAF) – whilst a Low/Medium (Amber) Opinion was originally provided following further

follow up audit work later in 2013/14, the opinion was revised to Medium (Green) (See 5.7.7)

- Five school audits - four primary schools and one secondary school where Low/Medium opinions were issued (See 5.4).
- Let Estates Follow Up Review – this review was previously reported in last year’s Annual Internal Audit Report at draft stage. During 2013/14 a final report was issued (Low/Medium Opinion) which included an action plan to address recommendations made (See 5.3.8).
- Section 106 Planning Agreements Review – as with Let Estates, this review was previously reported at draft stage and the final report was issued in 2013/14 (Low Opinion). It is acknowledged, as part of the final report, that since the audit review was undertaken, a dedicated Section 106 and Community Infrastructure Levy Officer has been appointed during 2013/14 who liaised with Audit in agreeing an action plan.

(All the above reviews are included in the 2014/15 Internal Audit Plan for follow up to further assess progress in implementing recommendations.

It should be noted that other review work where specific audit opinions have not been issued has been undertaken to follow up areas where improvements in control were required. This is reflected in work relating to investigations completed (See 5.6.2)).

- 4.8 It should be noted that 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 2013/14 for which the audit reports will be issued in 2014/15. Future quarterly update reports through 2014 will provide details of findings and any significant issues will be reflected in the Council’s Annual Governance Statement to be approved in September 2014.

Risk Levels

4.9 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 50 reports issued, the following risk levels are given:

Risk Levels – Reports Issued 2013/14

Risk Level	Number of Audit Reviews (%)
High	1 review (2%)
Medium	4 reviews (8%) *
Low	45 reviews (90%)

* One of these reviews became Low Risk after an initial follow up review.

4.10 The table shows that **for the majority of reviews undertaken (90%) overall risks are considered low (compared to 93.1% in 2012/13)**. For these reviews, however, it is still important that agreed recommendations are implemented to ensure identified risks are addressed.

4.11 The High and Medium Risk reviews reflect the reviews listed in 4.7. As previously stated, two of these reviews relate to audit findings from the previous year (Section

106 Planning Agreements – High Risk and Let Estates – Medium Risk) so a revised opinion / risk level will be considered as part of reviewing progress in implementing actions plans agreed in 2013/14. One review was originally highlighted as Medium Risk but after follow up work is now considered Low risk (ICS/e-CAF review). For the other two reviews (Business Continuity and Information Governance), control improvements made through 2013/14 will also be reviewed to further assess risk levels.

Other Assurance Work

- 4.12 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 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 2013/14, 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 As in previous years, there was an annual review completed 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 2013, an audit report was issued highlighting the findings from the 2012/13 review. This reported that the Authority continues to demonstrate compliance with CIPFA/SOLACE corporate governance framework principles. In addition, as part of the corporate governance review work, the Service reviewed and updated the Council's Corporate Governance Code in accordance with the CIPFA / SOLACE guidance. The Code was presented to the Accounts and Audit Committee in June 2013 and approved by the Executive in July 2013.
- 5.1.4 For 2013/14, the Audit and Assurance Service has liaised with relevant managers to ensure the Accounts and Audit Committee have been provided with updates on progress through the year on specific governance issues highlighted in the 2012/13 Annual Governance Statement. These include developments in relation to Public Health, Locality Partnerships, Records Management, Public Service Reform and Staff Terms and Conditions. Results of the 2013/14 corporate governance review will be reflected in the 2013/14 Annual Governance Statement to be presented to CMT and the Accounts and Audit Committee in June 2014 (draft stage) and September 2014 (final version).
- 5.1.5 In respect of partnership governance, the Service shared findings with key officers from previous audit work in respect of the Trafford Partnership (Local Strategic Partnership). It was agreed that given changes in Service structures (relating to the Partnerships and Performance Service), any further audit review of partnership governance would commence in 2014/15 when revised arrangements have been established.

5.1.6 One area included in the 2013/14 Internal Audit Plan but not undertaken is in relation to the review of partnership arrangements within the Community, Families and Wellbeing Directorate (CFW). Reviews in relation to Section 75 agreements with health partners, in respect of Children's Commissioning and also Adults and Children's provider services were originally in the Plan and due to commence towards the end of 2013/14. Audit and Assurance has liaised with relevant officers and in agreement with CFW, agreed that the reviews would commence at a later stage when arrangements are further developed. It is agreed that further discussions will be held in 2014/15 with a view to consider commencing work later in the year to provide assurance in relation to the partnerships in place.

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 2013 and March 2014.

5.2.3 As part of planned work in the first half of 2013/14, Audit and Assurance reviewed and updated existing risk management guidance available on the Council's intranet. This has included the update of a number of guidance documents. This included the existing risk management service guidance; guidance on examples of risks and possible actions to review / address these; protocols for risk management reporting and also guidance for report writing in respect of risk management. In addition, the risk management e-learning tool has been added to the Council's Virtual College e-learning site, available to access through the intranet. Audit will continue to raise awareness of the guidance available with relevant contacts across the Council's Directorates.

5.3 **Fundamental Financial Systems**

5.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems. 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 2012/13 transactions. Towards the end of 2013/14, work began in planning reviews relating to 2013/14 transactions.

- 5.3.3 The systems reviewed are shown under the category 'Financial System' in Appendix C which lists all reports actually issued during 2013/14.
- 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 2013/14 in respect of 2012/13 systems a High level of Opinion was given in respect of Council Tax, Corporate Budgetary Control, Treasury Management, National Non Domestic Rates, Income Control, Accounts Receivable and Housing and Council Tax Benefits.
- 5.3.6 Medium / High Opinions were given for the Purchase to Pay, Debt Recovery and Payroll reviews. In respect of the Purchase to Pay system, it was noted that a number of issues are being addressed on an authority-wide basis to ensure that the EBP System is used effectively by Services to ensure transactions are processed promptly and in accordance with the Council's procedures. In respect of the Payroll review, it was noted that separate external audit findings have previously been reported during the year which included reference to a recommendation regarding the accessing of payroll information, which the Accounts and Audit Committee subsequently received a progress update on.
- 5.3.7 A Medium audit opinion was given for a review of Fuel Card monitoring processes and subsequently Audit has contributed to a project group established to further improve monitoring arrangements. A Medium audit opinion was also given for an audit of systems in relation to Energy Management arrangements. Some progress had been made in respect of all previous recommendations made in the last review of this area which will be followed up further in 2014/15.
- 5.3.8 Two final reports (Let Estates – Low/Medium Opinion and Works Management – Medium Opinion) were issued based on reviews undertaken and reported at draft stage in the previous year. Further reviews will be undertaken in early 2014/15 where revised opinions will be considered.
- 5.3.9 Work is currently in progress in respect of a number of reviews including 2013/14 annual system audits. Reports issued through 2014 will be detailed in the quarterly Audit update reports to go to CMT and the Accounts and Audit Committee. Key findings from this work in addition to External Audit review work in respect of the 2013/14 financial statements will, where applicable, be reflected in the final version of the Council's 2013/14 Annual Governance Statement.

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 14 school audits would be undertaken. Ten final school audit reports were issued in 2013/14 (eight primary schools and two secondary schools) of which six had at least adequate (Medium or above) audit opinions. For the remaining four final reports, these were allocated opinions of Low/Medium. All four reviews have been included in the 2014/15 Internal Audit Plan to undertake follow up reviews to assess progress in implementing recommendations made. A further four draft reports were also issued (three primary schools and one secondary school) of which three were allocated adequate or above opinions with the remaining draft report allocated a Low/Medium opinion and this review is included in the 2014/15 Internal Audit Plan to follow up. Visits to a further four schools were also completed in 2013/14 with associated audit reports to be issued in quarter one of 2014/15).
- 5.4.3 As part of the Schools Financial Value Standard, schools are required to submit evidence to support adherence to the Standard by the end of March on an annual basis. It is noted at the time of reporting that most schools have adhered to the SFVS requirements in 2013/14 and submitted a self assessment as required and outstanding responses are being followed up. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking future school audits.
- 5.4.4 Audit and Assurance continued to liaise with the Schools Finance team and the Children, Families and Wellbeing Directorate to identify and provide advice on areas for development for schools to address. Two training sessions were held in July 2013 for school governors on the role of Internal Audit which included a presentation on fraud awareness. In addition, a presentation was given on the role of Internal Audit at an induction event for new Headteachers in September 2013.
- 5.4.5 In addition to the work above, reference is also made in section 5.7 to further schools related audit work completed in relation to reviews of ICT controls.

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. 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 specific to the establishments under review.
- 5.5.2 Final reports were issued in 2013/14 for Sale Library (follow up review), Altrincham Crematorium, Ascot House Assessment Centre and Old Hall Residential Unit. In respect of

Altrincham Crematorium, further follow up work was also undertake later in the year to assess progress in implementing recommendations made. Following completion of relevant reviews, a Medium level of assurance was provided for each establishment with overall adequate controls in place but a number of areas where recommendations were made, as described in Appendix C under reviews indicated by the "Establishments" category. Further follow up of progress made in implementing recommendations will be completed in 2014/15.

- 5.5.3 In addition, work was in progress in relation to one of the youth service establishments, Gorse Hill Studios, which will be completed in quarter one of 2014/15. Work was also undertaken in planning two children's centre audits which will commence later in 2014.
- 5.5.4 A planned audit of Sale Waterside Theatre did not commence during 2013/14. This was due to commitments in completing unplanned work in the year in other areas. It was agreed with the relevant service that work will be undertaken in 2014/15.

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 Investigations across the Council in the year related to a number of themes including disposal of council assets (one), ICT investigations (two), and loss/theft of cash or assets (five). During 2013/14 Audit and Assurance staff have contributed to work in relation to one ongoing and five new investigations. In relation to four of the six investigations, Audit has recommended control improvements to reduce future risks. These relate to the following:

- Investigation in to levels of materials usage and stock control procedures following allegations of theft.
- Investigations into the disposal of ICT assets.
- Two instances of loss of cash in establishments.

The two other investigations related to alleged ICT misuse. For one of these, this resulted in the resignation of one employee.

- 5.6.3 In addition, a further two thefts (one equipment and one cash) were the subject of separate police investigations. One of these was also the subject of a formal internal disciplinary investigation against an employee, however no-one has to date been charged with a criminal offence. The other case involving the theft of cash was referred to Crown Court.

National Fraud Initiative

- 5.6.4 The Audit and Assurance Service continue to co-ordinate activity relating to the National Fraud Initiative (NFI). NFI is 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.
- 5.6.5 Audit and Assurance had previously arranged for the submission of Council data to the Audit Commission in October 2012 and subsequent matches were released in January 2013. Work was undertaken by Audit and Assurance and other sections including the Fraud and Financial Investigation team through 2013/14 to follow up resultant matches. An update was provided to the Accounts and Audit Committee in March 2014 on progress made. All of the identified frauds related to Housing Benefit matches. It was reported at that stage that total overpayments being recovered as a result of the 2012/2013 NFI exercise amounted to £66,995. There was also an ongoing weekly reduction in payments of £1,015, approximately £52,780 per annum. Further work has continued since the March update and identified overpayments as at the end of May 2014 amount to £113k. Further details will be reported to the Accounts and Audit Committee as part of future updates on anti-fraud and corruption activity.

Awareness Raising

- 5.6.6 The Audit and Assurance Service, in conjunction with the Human Resources Workforce Strategy team, launched an e-learning tool: "Fraud Awareness for Local Government". This course was provided by the National Fraud Authority in conjunction with Deloitte. The course was made available from May 2013. Initially, this was targeted at managers across the Council but it was subsequently agreed that the e-learning course should be mandatory for all employees with a Trafford Council network account. Access to the e-learning site was rolled out to these other relevant employees later in the year. By the end of the year, 62% of managers had successfully completed the training. Audit and Assurance will continue to promote completion of this training by staff.
- 5.6.7 Other anti-fraud and corruption initiatives undertaken in the year included:
- The issuing of general guidance on the Council's policies on registering offers of gifts and hospitality.
 - Two Governor training sessions provided in conjunction with Trafford's Governor Services section entitled "An introduction to Internal Audit". The second half of these sessions were particularly focussed on Anti Fraud and Corruption.
 - New Head Teacher induction training undertaken at an event in conjunction with other services.

5.7 **ICT Audit / Information Governance**

- 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 Towards the end of the previous year, 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. A final report was issued with a Medium Opinion. Recommendations agreed to be implemented include formalising a policy/procedural document setting out responsibilities, security procedures etc. in relation to the data centre. A follow up review is included in the 2014/15 Internal Audit Plan.
- 5.7.3 A review of the Wireless network at the main administrative offices of Trafford Town Hall and Sale Waterside was undertaken and resulted in a High opinion. Findings concluded that the controls in place over the wireless network at both sites 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.
- 5.7.4 A review was completed relating to 2012/13 systems and transactions 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 Medium / High opinion. Work will be undertaken later in 2014 to further review controls in place.
- 5.7.5 A corporate review of Information Governance arrangements was undertaken, particularly in relation to meeting national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. It was acknowledged that the Council has taken action to strengthen Information Governance arrangements with the establishment on an Information Security Governance Board in 2013/14 which has led on reviewing and updating Council policies and procedures. The Low / Medium opinion in this review reflected the position at the time in respect of ongoing work which was needed to meet national requirements relating to Public Sector Network (PSN) access and also for accessing the NHS N3 Network. Significant improvements have been made since the report was issued as the Council gained PSN accreditation. Further to this, the Audit and Assurance provided assistance to the ICT Service with the Council's application for NHS N3 Connectivity by completing the mandatory review of the Information Governance Toolkit submission which is a pre-requisite for accreditation.
- 5.7.6 A review was undertaken to provide assurance on the arrangements for ICT Security in schools. Five schools of various types and with different models of service provision were

reviewed and an individual report was issued to each school. Where applicable, individual recommendations were made to each school in relation to ICT security. Overall, schools were taking steps to protect ICT systems but a number of recommendations were made such as in relation to system back up arrangements and the secure transmission of data. A corporate report combining the findings and drawing out common themes will be issued later in 2014.

- 5.7.7 A review of ICT related controls in respect of the electronic children's care and case recording systems, ICS and e-CAF was completed. Areas for control improvements highlighted related to access to the systems. Since the audit, a review of access rights has been undertaken. Policies are being developed to ensure staff are aware of their responsibilities when accessing both systems and management checks have been introduced. A brief follow up audit review was completed in December 2013 and based on the progress made (7 out of 10 recommendations completely or substantially implemented with the remaining ongoing), a revised opinion of Medium was given. A further follow up review will be included in the 2014/15 Internal Audit Plan.
- 5.7.8 There have also been two investigations into the suspected misuse of ICT facilities which are also referred to in section 5.6.2.

5.8 **Procurement / Contracts**

- 5.8.1 During the course of the year, the Council's Strategic Procurement Service underwent transition to become a shared service with Stockport and Rochdale Councils, (STaR). Towards the end of the year, the Audit and Assurance Service liaised with the Interim Director of STaR (permanent appointment commences in June 2014) to discuss the role of Audit and share future work plans. Given the transitional phase, further work relating specifically to the Strategic Procurement Service will be considered later in 2014/15. In the meantime, Audit has also made contact with respective Heads of Audit in the other authorities and agreed to share any future work plans which relate to STaR to ensure adequate co-ordinate and avoidance of duplication.
- 5.8.2 From 1 April 2013, the Council became responsible for public health services. An audit review of the procurement and contract monitoring arrangements for Sexual Health Services was carried out and resulted in a High Level of Assurance being given.
- 5.8.3 Internal Audit was asked to review the procedures in the Property and Development Service in respect of processes relating to design and build contracts. Guidance was provided including a number of recommendations made in relation to improving the clarity of roles.
- 5.8.4 As part of following up previous review work, a number of visits have been made to individual schools to review contract arrangements in respect of services provided to manage parking at the schools for major local sporting events in Old Trafford. Individual

findings are to be reported to each school and overall findings will be included in a forthcoming 2014/15 Audit and Assurance quarterly update report.

- 5.8.5 Audit reviews were undertaken in 2012/13 of contract monitoring arrangements for the Sale Waterside Facilities Management contract with Cofely, and also a review was completed on the use of the PQQ (Pre-Qualification Questionnaire) due diligence process used to assess contractor suitability at the early stages of the tendering process. Progress in implementing recommendations from these reviews was followed up with respective service areas in 2013/14 and good progress was found to have been made in implementing agreed recommendations.
- 5.8.6 The service continued 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.

5.9 **Business Risk Reviews**

- 5.9.1 This comprises work that does not fall into one of the categories referred to above but represents areas of business risk. These include reviews of specific areas within individual Directorates.
- 5.9.2 There were ten audit reports issued in this category (nine of which were final reports with one draft as at 31 March 2014). 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 eight of the ten reports issued. The reviews completed to final or draft report stage as at 31st March 2013 were:

Final reports:

- Business Continuity (T&R/Authority-wide) : Low/Medium opinion
- Corporate Health and Safety (T&R) : Medium/High opinion
- Local Welfare Assistance Scheme (T&R) : Medium/High opinion
- Section 106 Planning Agreements (EGP/T&R) : Low opinion
- Pest Control (ETO) : Medium / High opinion
- Carrington Weighbridge Waste Transfer (ETO) : Medium opinion
- Client Finances (CFW-Adults) : Medium opinion
- Youth Offending Service (CFW-Children) : Medium/High opinion
- School Census Data (CFW – Children) : Medium/High opinion

Draft report:

- Street trading (ETO) : 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, this related to audit work undertaken in the previous financial year which was reported previously. The lack of dedicated officer resource in this area significantly contributed to the low level of assurance. Since the

review was initially undertaken, a dedicated officer was appointed to the post of Section 106 and CIL Officer who has liaised with Audit to co-ordinate an agreed action plan, all recommendations having been accepted. The final report was issued incorporating the action plan. A follow up audit review will be undertaken in 2014/15 and a revised audit opinion will be considered.

- For the Business Continuity review, key areas for development were the need to ensure that there was adequate monitoring of business continuity arrangements across services. An action plan was agreed and the review will be followed up in 2014/15.

5.9.4 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 2014:

- Draft reports to be issued on Section 17 payments (payments administered by CFW under the Children's Act 1989).
- Draft report to be issued following central audit review of school catering in respect of processes both in respect of income, expenditure and performance monitoring.
- Draft report to be issued in respect of licensing arrangements covering processes for administering applications for private hire/hackney carriage drivers.
- Final report to be issued following audit of arrangements for staff car parking.

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 New Organisational Model (Reshaping Trafford) enabling group, Information Security and Governance Board and providing advice and support in relation to the Risk Based Verification Project (established to implement a risk based process for reviewing Housing Benefit and Council Tax Support claims).

5.10.3 The Service also provided input to a number of working groups relating to systems in particular Corporate Directorates / service areas including Adult Services and the Environment, Transportation and Operations Directorate.

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. 2012/13, and

preparation for the production of the 2013/14 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:

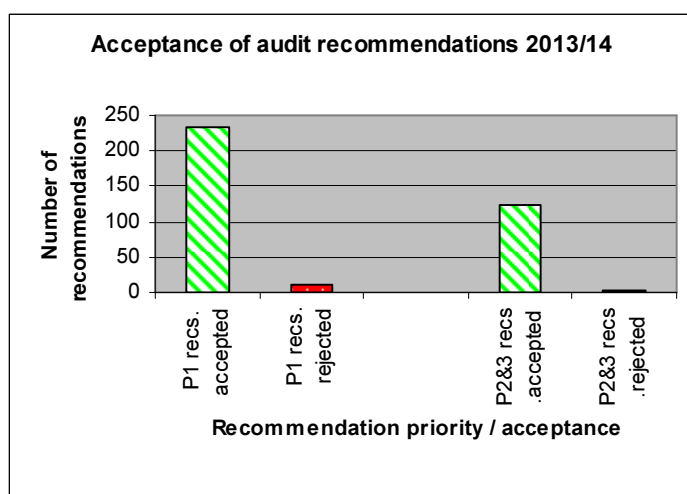
Priority 1 These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

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

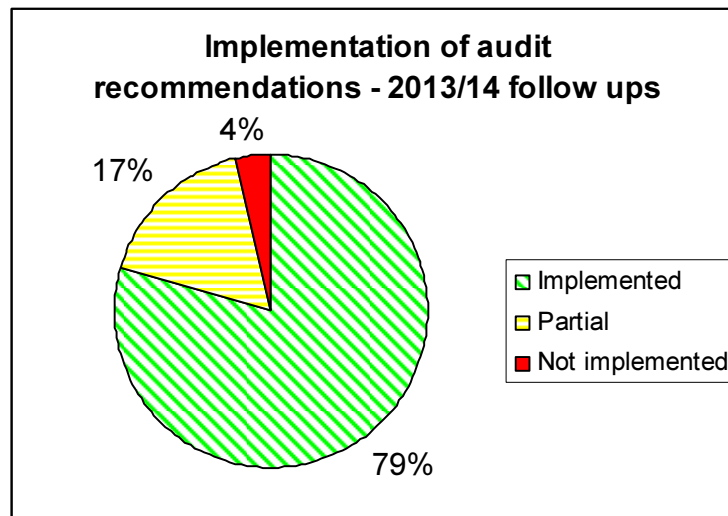
- 7.3 There has been a very positive response to audit recommendations made during 2013/14. This is shown below in terms of levels of acceptance of recommendations made during the year:



The majority of audit recommendations made during the year were accepted. Of the 244 Priority 1 recommendations made, 234 (96%) were accepted (service target is 95%). The acceptance rate for priority 2 or 3 recommendations was also 97%, i.e. 123 of the 127 made. Overall, 96% of all recommendations were accepted (compared to 93% in 2012/13).

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. This may be either through a further audit review or through manager self assessment. 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 136 recommendations followed-up during 2013/14, it was reported that 108 (79%) had been implemented at the time of the follow up audit reviews (this compares to 62% reported in the previous year). A further 23 (17%) have been partially implemented or are in progress (21% reported in the previous year). This shows good progress continues to be made in implementing improvements across the Authority. 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 93% of the responses (94% in 2012/13) 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 2013/14 is shown in appendix B. This shows that a total of 1320 days were allocated to complete the 2013/14 Annual Plan (with a further 130 days contingency). Actual time spent delivering the Plan was 1322 days.

8.3 The contingency time was largely accounted for by the loss in audit days following the departure of one of the Principal Audit and Assurance Officers in December 2013. This resulted in planned audits and other responsibilities being re-assigned to other staff.

8.4 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. the commencement of some reviews has been delayed until 2014/15 either due to other priority areas of work being completed (see 5.5.4) or delayed in agreement with the Service (see 5.1.6). The 2014/15 Internal Audit Plan reported to CMT and the Accounts and Audit Committee in March 2014 took account of reviews carried forward from 2013/14.

9. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

9.1 It is a requirement that the Annual Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013.

9.2. 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).

9.3 The Audit and Assurance Service has reviewed existing procedures against PSIAS. The Internal Audit Charter and Strategy were reviewed and updated during 2013/14 and these were approved by CMT and the Accounts and Audit Committee. The Service also reviewed and updated its Code of Conduct, Ethics and Values to ensure details are in accordance with PSIAS. All Audit and Assurance staff completed a declaration signing up to the new standards.

9.4 During the year, the Service completed a self assessment exercise to review processes in place against details set out in PSIAS.

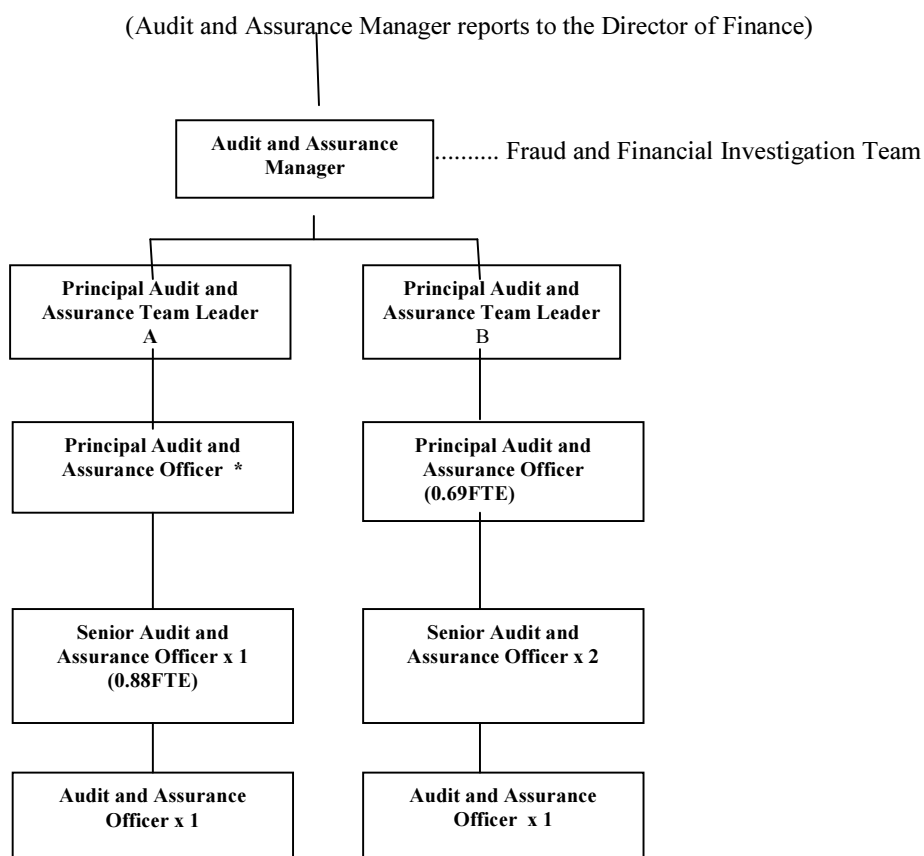
9.5 It is considered that, overall, the Audit and Assurance Services is undertaking internal audit services in conformance with PSIAS.

9.6 Further actions / developments have been identified to ensure ongoing conformance with PSIAS. In particular, it is a requirement that internal audit functions are subject to an external review against PSIAS at least once every five years. Trafford Audit and Assurance has worked closely with colleagues in the Greater Manchester Chief Internal Auditors' Group to review progress against PSIAS and this has included discussions in respect of future external review processes. It was agreed that, initially, respective Local Authorities will undertake self

assessment whilst discussing and sharing issues arising from this exercise. The Group will consider the approach including timing for external reviews to ensure ongoing conformance.

- 9.7 As part of ongoing review against PSIAS, which has included the update of the Audit and Assurance procedural manual in respect of the Internal Audit Charter, Strategy and Code of Ethics, work will be undertaken by Audit and Assurance to further review other aspects contained within the Manual including planning, management of assignments and reporting.

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.

* Note: the Principal Audit and Assurance Officer left the Council at the end of December 2013 and therefore for quarter 4 2013/14, staffing resources reduced accordingly for that period.

APPENDIX B

2013/14 OPERATIONAL PLAN: PLANNED WORK AND ACTUAL DAYS SPENT

	<u>Days Planned</u>	<u>Actual Days</u>
Fundamental Financial Systems Completion of 2012/13 fundamental systems reviews. Planning and commencement of 2013/14 reviews.	200	225
Governance / Annual Governance Statement (AGS) Corporate / partnership governance review work and collation of supporting evidence and production of the 2012/13 AGS.	100	65
Risk Management Progression of actions to support the Council's Risk Management Strategy including review of risk management processes and awareness raising and provision of guidance to services and partnerships. Facilitating the updating of the Council's strategic risk register.	40	20
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	214
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.	100	41
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.	100	114
Schools School Audit reviews. Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	190	207
Establishments Reviewing governance and control arrangements across a range of establishments.	80	31
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.	150	232

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	<u>Days Planned</u>	<u>Actual Days</u>
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.	110	145
Financial Appraisals Financial Assessments of contractors and potential providers.	70	28
Total Allocated Days	1320 *	1322

* Note : A further 130 days was allocated in the Plan as a contingency. A significant portion of this was used to meet a shortfall in available days following the departure of an officer in December 2013.

ALL AUDIT REPORTS ISSUED IN 2013/14 WHERE AN OPINION LEVEL IS GIVEN **APPENDIX C**

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good

Medium / High – Good

Medium – Adequate

Low / Medium - Marginal

Low – Unsatisfactory

Green (G)

Green (G)

Green (G)

Amber (A)

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 :

**Works Management
System (Authority-
wide & ETO) /
(Highways and
Environment;**

**Medium*
GREEN
(26/4/13)
Financial
System**

Some progress has been made in implementing previous audit recommendations. An action plan to address the outstanding recommendations was agreed with the Environment, Transport and Operations Directorate. This included ensuring roles, responsibilities and procedures for operating the system are clearly documented and shared with relevant staff.

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Finance; Transformation and Resources)		
Energy Management (ETO & EGP) / (Economic Growth and Prosperity)	Medium (GREEN) (20/6/13) <i>Financial System</i>	Progress has been made since the last audit review in all areas where recommendations were previously made. Recommendations have been made to review the availability of management information to enable more effective monitoring of energy consumption. This area will continue to be reviewed on an annual basis.
Let Estates Follow Up Review (EGP) / (Economic Growth and Prosperity)	Low/Medium (AMBER)* (10/4/13) <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. An updated audit opinion will be considered at the next review - previous opinion provided in 2011/12 was Low/Medium which has not been revised.
<u>Level 2 Reports:</u>		
Pest Control (ETO) / (Highways and Environment)	Medium/High (GREEN) (26/4/13) <i>Business Risks</i>	Overall, effective control arrangements were found to be in place for the areas reviewed which included risk management, performance monitoring, financial management and administration, including the collection of income. Some recommendations have been made to improve records maintained to ensure adequate audit trails are in place in respect of work undertaken.
<u>Level 1 Reports :</u>		
Sale Library follow up (T&R) / (Transformation and Resources)	Medium* (GREEN) (18/4/13) <i>Establishment</i>	Good progress has been made in implementing previous recommendations made. Outstanding recommendations include the need to introduce an independent annual inventory check. (Follow up of some issues relating to service wide aspects have been covered in a separate library ordering procedures audit review).
Altrincham Crematorium (ETO) / (Highways and Environment)	Medium (GREEN) (20/6/13) <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 risks including procedures relating to income collection, purchasing and security / recording of assets. It was agreed a follow up audit review will further assess progress in implementing recommendations.
Ascot House Assessment Centre (CFW) / (Adult Social Services)	Medium (GREEN) (25/6/13) <i>Establishment</i>	Overall, adequate standards of control are in place. Areas for improvement and associated recommendations are highlighted in the agreed action plan which includes improvements to asset security procedures.
Victoria Park Junior School (CFW) / (Education)	Medium/High (GREEN) (19/4/13) <i>School</i>	In most areas reviewed, effective procedures were found to be in place. Recommendations made included reviewing safe security arrangements and reviewing / updating existing documented financial procedures.
St. Mary's C of E Primary School, Davyhulme follow up review (CFW) / (Education)	Medium* (GREEN) (8/5/13) <i>School</i>	The review focussed on progress made in implementing previous audit recommendations and found the majority had been implemented with a small number in progress or planned to be completed.
St. Mary's C of E Primary School, Sale (CFW) / (Education)	Medium / High (GREEN) (13/5/13) <i>School</i>	In most areas reviewed, effective procedures were found to be in place. Recommendations made included processes for updating the inventory and security arrangements in relation to access to keys.
Oldfield Brow Primary School	Low/Medium (AMBER)	A key reason for the opinion level given is the need for a greater division of staff duties within financial processes at the School. An action plan was agreed for

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(CFW) / (Education)	(23/5/13) <i>School</i>	implementation of recommendations through 2013 and this review will be followed up in 2014/15.
St. Ann's RC Primary School (CFW) / (Education)	Low/Medium (AMBER) (9/6/13) <i>School</i>	Areas for improvement were identified across a number of financial systems and procedures. These relate to the establishment of divisions of duties, internal checks of records and improved audit trails in some areas. It is acknowledged that long term staff absence had contributed to the findings and overall audit opinion. All audit recommendations have been accepted and an action plan has been produced. Progress against each recommendation will be followed up in a further audit review.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
<u>Final Reports – Quarter 2</u>		
<u>Level 4 Reports :</u>		
Treasury Management 2012/13 (T&R) / (Finance)	High (GREEN) (9/8/13) <i>Financial system</i>	Ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
National Non-Domestic Rates 2012/13 (T&R) / (Finance)	High (GREEN) (30/9/13) <i>Financial System</i>	Ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
Corporate Governance (Authority-Wide review)	N/A (GREEN) <i>Governance</i>	The Authority continues to demonstrate compliance with CIPFA / SOLACE Corporate Governance framework supporting principles. There is evidence to demonstrate work has been progressed to address significant issues previously identified and to address emerging policy and legislative requirements. (The review was used to support the process for producing the 2012/13 Annual Governance Statement).
Business Continuity (T&R and Authority Wide) / (Transformation and Resources)	Low/Medium (AMBER) (5/9/13) <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. An action plan has been agreed and the review will be followed up as part of the 2014/15 Internal Audit Plan.
Fuel Cards (ETO &	Medium	This review included both review of the existing system and procedures and

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Authority Wide) / (Highways and Environment)	(GREEN) (29/7/13) <i>Financial System</i>	also advising on future developments planned given revised processes are currently being developed. A working group reflecting appropriate service areas (including representation from Audit) has been established with the aim to improve monitoring systems and processes including processes for regular monthly checks of usage of fuel cards. The overall “Medium” opinion given in the previous review remains with a revised audit opinion to be considered when a further full review is undertaken in 2014/15. This will assess the impact of revised fuel card monitoring processes currently being introduced.
Level 2 Reports:		
Carrington Depot Waste transfer system follow up review (ETO) / (Highways and Environment)	Medium * (GREEN) (9/7/13) <i>Business Risks</i>	This was a follow up review, focussing on audit recommendations previously made. Initial findings highlighted a number of recommendations remained outstanding from the previous review resulting in the audit opinion remaining as “Medium”. (Audit continued to work with the service area since the audit review to agree remaining actions required until all recommendations had been implemented - a further review will be undertaken in 2014/15 with a view to providing an updated audit opinion).
Youth Offending Service (CFW) / (Supporting Children and Families)	Medium / High (GREEN) (19/8/13) <i>Business Risks (Service Audit)</i>	Testing revealed a good level of compliance with controls covering most business risks. Recommendations were made in relation to reviewing and updating business continuity plans and also ensuring independent checks are part of the systems for maintaining petty cash imprest and inventory records.
Level 1 Reports:		
Old Hall Road Residential Unit (CFW) / (Supporting Children and Families)	Medium (GREEN) (23/7/13) <i>Establishment</i>	Overall, adequate standards of control were found to be in place. Recommendations made included procedures for maintaining and checking the petty cash imprest account, introducing independent inventory checks and ensuring service guidance is followed in respect of handovers of cash between individuals.
Stretford High School (CFW) / (Education)	Low/Medium (AMBER) (31/7/13) <i>School</i>	There is a need to improve controls for a number of business risks to ensure adequate processes are in place to meet the requirements set out in the DfE Schools’ Financial Value Standard. Recommendations were made across a number of areas including ordering and payment procedures, monitoring of lettings of the premises and maintenance of the school fund. An action plan has been agreed and recommendations will be followed up as part of a future audit review in 2014/15.
St Teresa’s RC Primary School (CFW) / (Education)	Medium (GREEN) (24/9/13) <i>School</i>	The audit found areas of good practice, but there is a need to improve controls for a number of areas to ensure associated risks are managed effectively. Improvements include introducing a greater division of duties within certain financial processes and ensuring there is up to date procedural documentation in place for financial / administrative systems.

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REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
Final Reports – Quarter 3		
Level 4 Reports :		
Section 106 Planning Agreements (T&R&EGP) / (Finance, T&R, Economic Growth and Prosperity)	Low (RED) (1/10/13) <i>Business Risks</i>	Findings indicated a number of areas for improvement, particularly in relation to monitoring of income from Section 106 agreements. The lack of dedicated officer resource in this area significantly contributed to the low level of assurance. Since the review was initially undertaken, a dedicated officer has been appointed to the post of S106 and CIL Officer who has liaised with Audit to co-ordinate an agreed action plan, all recommendations having been accepted. A follow up audit review will be undertaken in 2014/15.
Debt Recovery 2012/13 (T&R) / (Finance)	Medium/High (GREEN) (9/10/13) <i>Financial System</i>	Overall, a good standard of control was found to be in place. A recommendation was agreed to improve reporting arrangements across services with regular reports to be generated from the Debt Recovery system to be followed up by Finance Managers with each Corporate Directorate.
Accounts Receivable 2012/13 (T&R) / (Finance)	High (GREEN) (9/10/13) <i>Financial System</i>	Overall, a very good standard of control was found to be in place. All previous recommendations had been fully implemented.
Budgetary Control 2012/13 (T&R) / (Finance)	High (GREEN) (10/10/13) <i>Financial System</i>	Based on the audit findings, effective standards of control continue to be in place and the High opinion level has been maintained.
Housing and Council Tax Benefits 2012/13 (T&R) / (Finance)	High (GREEN) (25/10/13) <i>Financial System</i>	Effective standards of control continue to be in place and the High opinion level has been maintained.
Information Governance (including Public Sector Network and NHS N3 Network Connectivity) (T&R) / (Transformation and Resources)	Low / Medium (AMBER) 5/11/13 <i>ICT Audit</i>	The main element of the review was completed by Salford Audit Services on behalf of Trafford Audit and Assurance Service. It is acknowledged that the Council is currently reviewing and improving its information governance structure and processes with the recently established Information Security Governance Board. The Low/Medium opinion reflected the position in respect of ongoing work needed to meet national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. An Action Plan was agreed and will be subject to audit follow up.
ICT Data Centre (T&R) / (Transformation and Resources)	Medium (GREEN) (11/11/13) <i>ICT Audit</i>	The review was completed by Salford Audit Services on behalf of Trafford Audit and Assurance Service. The associated draft report provided an “Amber” opinion as it included reference to a number of queries to be clarified in response to draft recommendations made. Since the draft report was issued, outstanding queries have been resolved resulting in a Medium Level of Assurance now given. Recommendations agreed to be implemented include formalising a policy/procedural document setting out responsibilities,

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		security procedures etc. in relation to the data centre.
Purchase to Pay 2012/13 (T&R) / (Finance)	Medium/High (GREEN) (20/11/13) <i>Financial System</i>	Key controls surrounding the Purchase to Pay process have retained high levels of control in the majority of areas reviewed. There are, however, currently a number of issues being addressed on an authority-wide basis to ensure that the EBP System is used effectively by Services to ensure transactions are processed promptly and in accordance with financial procedure rules.
Wireless Network Access (T&R) / (Transformation and Resources)	High (GREEN) (22/11/13) <i>ICT Audit</i>	The objective of the audit was to ascertain the effectiveness of the controls in place over the corporate wireless IT networks within the Trafford Town Hall and Sale Waterside buildings, 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.
Corporate Health and Safety (T&R) / (Transformation and Resources)	Medium/High (GREEN) (28/11/13) <i>Business Risks</i>	Overall, adequate standards of control were found to be in place. A small number of agreed recommendations focussed on updating / reviewing certain policies and guidance documents in place.
Council Tax 2012/13 (T&R) / (Finance)	High (GREEN) (10/12/13) <i>Financial System</i>	Effective standards of control continue to be in place and the High opinion level has been maintained.
Income Control 2012/13 (T&R) / (Finance)	High (GREEN) (18/12/13) <i>Financial System</i>	Effective standards of control continue to be in place and the High opinion level has been maintained. The report notes that specific recommendations in respect of income control for individual services/establishments have been made, where applicable, as part of other audit reviews.
<u>Level 3 Reports :</u>		
Integrated Children's System (ICS) / Electronic Common Assessment Framework (e-CAF). (CFW) / (Supporting Children and Families)	Low / Medium (AMBER) (18/10/13) Medium (GREEN) (10/12/13) after initial follow up review completed. <i>ICT Audit</i>	This review focused on ICT related controls in respect of the electronic children's care and case recording systems, ICS and e-CAF. Areas for control improvements highlighted related to the potential for unauthorised access to the systems and the need to ensure the systems contain up to date details. Since the audit, a review of access rights has been undertaken and inactive accounts removed. Access to the e-CAF system has been reviewed and further restricted and data cleansing of both systems is ongoing. Policies are being developed to ensure staff are aware of their responsibilities when accessing both systems and management checks have been introduced. A brief follow up audit review was completed in December 2013 and based on the progress made (7 out of 10 recommendations completely or substantially implemented with the remaining ongoing), a revised opinion of Medium was given. A detailed follow up review will be included in the 2014/15 Internal Audit Plan.
<u>Level 1 Reports:</u>		
Springfield Primary School (CFW) / (Education)	Low/Medium (AMBER) (4/11/13) <i>School</i>	The audit found areas of good practice, but there is a need to improve controls for a number of business risks. Recommendations were made relating to improving divisions of duties, audit trails and independent checks across a number of areas including purchasing and income collection. A follow up audit review will be included in the 2014/15 Internal Audit Plan.
Sale High School (CFW) / (Education)	Medium/High (GREEN)	Controls are adequate and effective to address most business risks reviewed by the audit. Recommendations included the need to review and update a

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	(27/11/13) <i>School</i>	number of existing policies and procedures, including the Finance Manual.
All Saints Catholic Primary School (CFW) / (Education)	Medium/High (GREEN) (17/12/13) <i>School</i>	Controls are adequate and effective to address most business risks reviewed by the audit. A small number of recommendations were made to improve existing controls in relation to record-keeping.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
Final Reports – Quarter 4		
Level 4 Reports :		
General Ledger IT (T&R) / (Transformation and Resources)	Medium/High (GREEN) (20/1/14) <i>ICT Audit</i>	Overall, a good level of control was found to be in place. Satisfactory controls are in place for the management of access to the Council’s General Ledger SAP system although it was identified that there was a need to review existing access levels for certain staff to ensure it is appropriate for business need.
Local Welfare Assistance Scheme:Trafford Assist (T&R) / (Finance & Community Health and Wellbeing)	Medium/High (GREEN) (12/3/14) <i>Business Risks</i>	Overall a good level of control was found to be in place. Some recommendations were made. These included reviewing expenditure and income budgets posted on the general ledger to compare to profiled budgets on a monthly basis.
Level 2 Reports:		
Client finance system (CFW) / (Adult Social Services)	Medium (GREEN) (20/2/14) <i>Business Risks</i>	Good progress has been made in implementing a number of controls that were previously identified as requiring to be established. A number of recommendations were made which have been implemented or are in progress. Recommendations included establishing procedures to provide a monthly reconciliation between the bank accounts and supporting records to ensure that any differences can be promptly accounted for.
School Census Procedures (CFW) / (Education)	Medium/High (GREEN) (28/1/14) <i>Business Risks (Schools)</i>	Overall, adequate standards of control were found to be in place. However, recommendations have been made to ensure that assurance is formally sought from a number of services to review the accuracy of data prior to it being submitted to the Department for Education.
Schools IT reviews (CFW&T&R) / (Education and Transformation & Resources)	N/A (GREEN) (March 2014) <i>ICT Audit</i>	The review consisted of audits at five schools (two secondary, two primary and one special). Five final reports were issued to the individual schools with associated recommendations made where applicable. In addition to the individual reports, it is planned that a corporate thematic report will also be issued in 2014/15 to summarise the main issues raised and make further recommendations where appropriate. This will include a formal audit opinion being given.

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REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
<u>Draft Reports</u>		
<u>Level 4 Reports:</u>		
Payroll 2012/13 (T&R) / (Finance & Transformation and Resources)	Medium/High (GREEN) (5/12/13) <i>Financial System</i>	Overall, a good standard of control was found to be in place with a small number of recommendations made. (It is noted that separate external audit findings have previously been reported which included reference to a recommendation regarding the accessing of payroll information which the Accounts and Audit Committee subsequently received a progress update on).
<u>Level 2 Reports:</u>		
Street trading (ETO) / (Highways and Environment)	Medium (GREEN) (20/3/13) <i>Business Risks</i>	Testing revealed an adequate level of compliance with controls covering many, but not all business risks. A final report will be issued to include a management response to the recommendations and further details will be reported in the 2014/15 (Quarter One) Audit and Assurance update.
Public Health: Sexual Health contract (CFW) / (Community Health and Wellbeing)	High (GREEN) (27/3/14) <i>Procurement / VFM</i>	The review identified a high level of compliance and assurance within the tender process. At the time of the audit review work, the contract had been operational for less than six months. Arrangements around transferring staff and other action points were taking place.
<u>Level 1 Reports :</u>		
Kingsway Primary School (CFW) / (Education)	Medium (GREEN) (27/1/14) <i>School</i>	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. There is a need to improve the procedures and controls in relation to some aspects including inventory maintenance and the maintenance of the School Fund records, reflected in a number of recommendations made in these areas. A final report will be issued to include a management response to the recommendations.
St. Antony's Catholic College (CFW) / (Education)	Medium/High (GREEN) (27/2/14) <i>School</i>	Overall, a good standard of control was found to be in place. Some recommendations were made including the Governing Body approval of a number of school policies. A final report will be issued to include a management response to the recommendations.
St. Anne's C of E Primary School (CFW) / (Education)	Low/Medium (AMBER) (24/3/14) <i>School</i>	A final report will be issued to confirm the overall opinion and incorporating the management response to the audit recommendations made and further details will be reported in a future Audit and Assurance update.
Holy Family Catholic Primary School (CFW) / (Education)	Medium (GREEN) (24/3/14) <i>School</i>	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. A number of recommendations were made including those relating to procedures for the ordering and payment for goods and services, and procedures in respect of the collection and banking of income to ensure adequate audit trails are in place. A final report will be issued to include a management response to the recommendations.

Client Survey Responses 2013/14

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	10	2			
Feedback of findings and liaison during the audit	8	3			1
Professionalism of auditors	11				1
Helpfulness of auditors	11				1
Timeliness of the review and the draft report	7	3		1	
Clarity of the report	9	2		1	
Accuracy of the report	8	3			1
Practicality of the recommendations made	5	6			1
Usefulness of the audit as an aid to management	11				
Total	80	19		2	5
%	75%	18%		2%	5%
	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	6	2	1	1
	9%	55%	18%	9%	9%

