

**TRAFFORD COUNCIL**

**Report to:** Accounts and Audit Committee  
**Date:** 28 June 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

**Report Title**

**Annual Report of the Head of Internal Audit 2015/16**

**Summary**

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2015/16
- To provide a summary of the work of the Audit and Assurance Service during 2015/16.

**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 2015/16**

**June 2016**

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## **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 2015/16. 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 2015/16, 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 2015/16 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 2015/16. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2016. 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 review work undertaken and other sources of assurance for 2015/16, 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.**

**There were, however, some areas where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Particular areas identified include required improvements in Council processes in relation to business continuity both in respect of service and central IT disaster recovery processes. Areas identified for improvement will be further followed up in 2016/17.**

## **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 2015/16. The Annual Audit Report provides an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2015/16.
- 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 comprised 7.83 full time equivalent (FTE) staff at the start of 2015/16. As at 1 April 2015, there were 2 vacancies which were both filled later in 2015. An Audit and Assurance Officer retired during the year and the post was subsequently filled by the year-end with the new officer commencing in April 2016. (It should be noted that 2 further officers retired at the end of March / early April 2016 respectively. A recruitment process is currently underway for one of these posts whilst the other post is subject to review).
- 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. The 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 was updated in March 2016 and approved by CMT 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 2015/16.

## **2. INTERNAL AUDIT OPINION FOR 2015/16**

- 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 2015/16 is as follows.

**Based on internal audit review work undertaken and other sources of assurance for 2015/16, 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.**

**There were, however, some areas where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Particular areas identified include required improvements in Council processes in relation to business continuity both in respect of service and central IT disaster recovery processes. Areas identified for improvement will be further followed up in 2016/17.**

- 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 contracts related reviews (See Section 4 and Appendix C). Of the 32 opinion reports issued during the year (which included 10 schools), 88 % of opinions stated that at least an adequate level of control was in place. Excluding schools, 86% of opinions in reports were at least adequate (See 3.5 & 3.6). Where less than adequate opinions have been given, an agreed action plan is in place and recommendations will be further followed up (See 3.7). 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, an action plan has been agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (93%) have been agreed by management (See 5.3).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2015/16 and significant progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, 86% of recommendations previously made had been either fully or partially implemented (see 5.4 for an analysis of follow ups reviews both for Council and schools related reviews).

- 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 Management Team and the Accounts and Audit Committee (See 4.2).
- The Audit and Assurance Service continues to co-ordinate the production of the Council's Annual Governance Statement and has liaised with managers to ensure that there has been reporting of progress through 2015/16 in addressing significant governance issues highlighted in the previous Annual Governance Statement. This included reporting of continued developments in budget monitoring arrangements in line with the Corporate Action Plan established in the previous year (See 4.1.).
- The Audit and Assurance Service has continued to investigate suspected cases of fraud and theft. 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).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2015/16 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 910 days for 2015/16. 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 2015/16 Annual Audit Plan was 882. Details of planned work against actual are discussed further in section 6. (It should be noted that in addition to the 882 actual days, there is additional time taken for other activities that are not attributable to one particular category of work but support the audit process. Activities undertaken through 2015/16 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 in each quarter of 2015/16 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.
- 3.3 For each audit report issued, one of five possible Opinions is given as shown in the following table. The five opinions are also denoted as Red/Amber/Green:

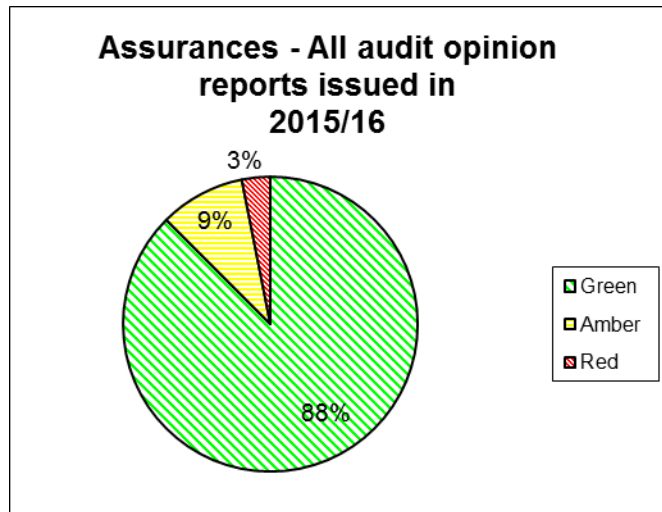


<b>High Level of Assurance (Very Good)</b>	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.
<b>Medium / High (Good)</b>	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number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

### Analysis of Audit Opinions

3.4 The chart below provides an analysis of audit opinions in respect of internal audit reports issued in 2015/16.

#### All Reports issued in 2015/16 – (27 final and 5 draft reports)



3.5 Overall, the above shows that in 2015/16, an adequate or above (“Green”) level of control was found to be in place for 88% of the 32 reviews that took place where an opinion was given. (This compares to 65% in 2014/15 and 80% in 2013/14).

3.6 It should be noted that the above analysis includes 10 school reports of which 9 reports are Green and 1 is Amber. Excluding schools from the analysis, 86% of opinion reports for the Council were stated as Green, 9% Amber and 5% Red.

- 3.7 Opinions provided during 2015/16 where a less than adequate audit opinion was given relate to the following:
- Business Continuity: The review highlighted the need to ensure business continuity arrangements across the Council were updated. This required input from all Council services, initially to update their Business Impact Analyses and for higher priority services and functions, ensuring that up to date business continuity plans are in place. The Council is reviewing arrangements, in collaboration with other parties, to consider its IT disaster recovery arrangements. It is important that these arrangements are aligned with priorities across services in terms of prioritising the restoration of IT systems (This issue was also noted in other IT Audit reports issued during the year as referred to in 4.6).
  - Let Estates: The review was completed prior to the commencement of the One Trafford Partnership with Amey. It identified the need for Council property database records to be brought up to date in order to provide adequate assurance that lettings income from properties is collected promptly and in its entirety. It was agreed in the Report Action Plan that Amey, working with the Council, would agree an approach and produce an action plan in 2015/16 to address the issues raised.
  - Schools Catering: The review covered processes operated by the Schools Catering Service, including monitoring of expenditure, income and stock records. It identified a number of recommendations to improve existing controls. These were made to ensure adequate evidence is retained that income is fully accounted for and improved processes are in place to monitor and control food costs. Since the Audit review the service has implemented a new pricing and charging structure which should address the issues raised.
  - School Audit: An audit of Springfield Primary School resulted in a Low/Medium opinion. This reflected that, as identified by the follow up audit undertaken, there were a number of agreed actions and recommendations which remained outstanding from the previous review.
- 3.8 All the above reviews are included in the 2016/17 Internal Audit Plan for further follow up to assess progress in implementing recommendations.
- 3.9 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.
- 3.10 It is also noted that in the Annual Audit Letter from External Audit, Grant Thornton referred to their review of IT controls within the Council’s SAP Financial system. Their findings highlighted the need for the Council to review IT access controls within the system. These findings are to be followed up by Internal Audit in quarter one of 2016/17.

### **Other Assurance Provided Across the Council**

- 3.11 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 updating the Council's strategic risk register)
  - Anti-fraud and corruption (including co-ordinating the Council's work in supporting the National Fraud Initiative)
  - Compiling the Council's Annual Governance Statement
  - Contributing to project and working groups across the Council
  - Reviewing a number of grant claims through the year as required
  - 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**

- 3.12 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.

## **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 2015/16, 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 2014/15 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 reviewed Corporate Governance arrangements with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. 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.
- 4.1.3 The 2014/15 Annual Governance Statement was approved in September 2015. In addition, the Service reviewed and updated 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 2015.
- 4.1.4 Through 2015/16, 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 significant governance issues highlighted in the 2014/15 Annual Governance Statement. These include updates in relation to Budget Monitoring, Locality Partnerships, Information Governance, the Reshaping Trafford programme and the Trafford Leisure Community Interest Company. Audit and Assurance is currently co-ordinating the production of the 2015/16 Annual Governance Statement (the final version to be approved by September 2016).
- 4.1.5 As part of discussions in the year with management in the CFW Directorate, it was agreed that given the introduction of the new Health and Social Care Section 75 agreement coming into effect from April 2016, Audit work in this area would focus initially on liaising with the Directorate to consider developments in governance arrangements established with a view to considering audit input including possible future audit reviews.

## 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 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.
- 4.2.2 Reports detailing the risk register and key developments in the management of risks have been submitted to TPR and CMT on a quarterly basis. The Accounts and Audit Committee were provided with updates in September 2015 and March 2016.
- 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> . This link has also been included in the Council's recently updated Business Continuity Guidance.

## 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 The systems reviewed where reports were issued during 2015/16 are shown under the category 'Financial System' in Appendix C.
- 4.3.3 Final audit reports issued included Treasury Management (High Opinion), Income Control (High), Works Management (Medium) and Let Estates (Low).
- 4.3.4 In respect of the Let Estates review where a Low Opinion was issued, this related to reviewing processes in relation to managing the collection of rental income from Council properties. The review identified the need for the property database to be brought up to date. The review was completed prior to the commencement of the Council's One Trafford Partnership with Amey. In the management response to the audit findings, Audit was advised that Amey were to compile a plan which an agreed approach to ensure records are brought up to date which will be agreed with client officers from the Council. Progress against recommendations made in the review will be followed up in 2016.
- 4.3.5 Draft reports were issued by the end of March 2016 for the following: Council Tax (High Opinion, with the subsequent final report issued in April 2016); Cash Expenditure Control (Medium, with the subsequent final report issued in May 2016); and Payroll (Medium/High, with the final report due to be issued in quarter one of 2016/17).
- 4.3.6 In respect of the review of Cash Expenditure Control, this was undertaken as part of a series of audits in areas where there is a significant element of cash expenditure and/or

significant levels of cash held. It was recommended that Audit guidance on cash holding is circulated to all account holders. It was acknowledged that progress continues to be made in reducing levels of cash held and alternative arrangements continue to be considered where possible.

- 4.3.7 A number of reviews were in progress at the year-end with reports issued in early 2016/17. An audit of Business Rates was in progress with the final report issued in April 2016 (High Opinion). An authority wide review of cash income procedures was also completed with a draft report to be shared in June 2016 (Medium opinion expected).
- 4.3.8 A number of other reviews were in progress or at planning stage with reports to be issued in 2016/17. These relate to the following: Housing Benefits and Council Tax Reduction; Accounts Payable; Accounts Receivable/Debt Recovery; Liquid Logic/ContrOCC Adult Social Care system; and Insurance. Draft or final reports issued from April 2016 will be included in the Audit and Assurance quarterly updates later in 2016.
- 4.3.9 During the first half of the year, Audit and Assurance continued to contribute to reviewing ongoing progress by the Council against the Budget Monitoring Action Plan with regular reporting to CMT (It is also noted that a corporate update on progress regarding the Action Plan was reported to the Accounts and Audit Committee in September 2015). Budget monitoring procedures are included within the 2016/17 Internal Audit Plan.

#### **4.4 Schools**

- 4.4.1 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.
- 4.4.2 Within the Internal Audit Plan it was planned that at least 15 school audit opinion reports would be issued in 2015/16. 10 school audit reports were actually issued by the end of March 2016 and a further 3 reviews were in progress. There was one review rescheduled due to Audit resources and planned to commence by July 2016. A further review was delayed until later in the year in agreement with the CFW Directorate.
- 4.4.3 Of the 10 audit reports issued, 9 provided at least adequate opinions (Medium or above). For the other review where a Low/Medium Opinion was given (Springfield Primary School), a further follow up audit will be completed later in 2016 to assess progress in implementing outstanding recommendations. A number of school reviews included follow up of previous audit recommendations made and good progress in implementing recommendations is highlighted by the analysis regarding follow up audits (See 5.4 to 5.8).
- 4.4.4 As part of the Schools Financial Value Standard (SFVS), 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, all schools have submitted a self-assessment for the 2015/16 financial year as required. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking future school audits.

- 4.4.5 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. A presentation was given by Audit on cash and banking controls as part of a Finance Services training/awareness raising session to schools' finance staff in September 2015.
- 4.4.6 In addition to the work above, reference is also made in section 4.6.4 to further schools related audit work completed in relation to reviews of ICT controls.

#### 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.

#### **Investigations**

- 4.5.2 During 2015/16, Audit and Assurance staff have contributed to work in relation to four new investigations. Work included investigations in relation to allegations of IT misuse, discrepancies in stock levels and losses of cash. Audit also concluded two other investigations which were ongoing from 2014/15. The first was in relation to non-payment of statutory pay deductions as a result of a community school making direct payments to staff outside of payroll. The second was in relation to discrepancies in a Service cash imprest account. Reference to these investigations including outcomes were included within an update on Anti-Fraud and Corruption work provided to CMT and the Accounts and Audit Committee in March 2016.

#### **National Fraud Initiative**

- 4.5.3 The Audit and Assurance Service continued to co-ordinate the Council's participation in the National Fraud Initiative, 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.
- 4.5.4 In respect of the most recent exercise, the Audit and Assurance Service originally co-ordinated the submission of Council data to the Audit Commission in October 2014 and the subsequent matches were received in January 2015. The Service then liaised with other services including the Council's Fraud Investigation team to ensure key data matches were reviewed. As at the end of March 2016, a total of 4,638 matches had been reviewed which resulted in the identification and correction of 28

errors and the detection of 1 fraud totalling £76k. Total benefit overpayments being recovered as a result of the exercise amounted to £23k with an on-going reduction in payments of approximately £25k per annum.

- 4.5.5 The other main source of error identified as part of the NFI exercise was in connection with creditor overpayments, primarily duplicate payments. As at the end of March 2016, investigations revealed 15 instances of duplicate payments with £42k in the process of being recovered as a result. The “No Purchase Order, no pay” policy in respect of creditor invoice payments was introduced from 1<sup>st</sup> December 2015. The policy requires all creditor invoices to quote a valid Council purchase order number. Failure to raise, or quote, purchase order numbers is one of the causes of duplicate invoice payments. Further steps are being taken in this area to reduce risks and Audit will continue to liaise with Finance staff on this issue.

### **Other Work undertaken and Planned**

- 4.5.6 In terms of work in relation to existing Council policies, in December 2014 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. In addition, the Service drafted comments for updates to the Council’s Whistleblowing Policy and shared with Human Resources to agree any proposed amendments going forward.
- 4.5.7 As stated in the 2016/17 Internal Audit Plan, time has been set aside to work with other services through 2016/17 to review existing Anti-Fraud policies and procedures, particularly in light of recent changes with the transfer of benefit fraud investigation staff to the Department of Work and Pensions as part of the national Single Fraud Investigation Service.

### **4.6 ICT Audit / Information Governance**

- 4.6.1 Audit work was undertaken to cover a range of issues in relation to IT procedures, processes and controls. Work was also undertaken in respect of wider information governance issues. Some of this work is completed by Salford Internal Audit Services who provide specialist IT Audit Services for a number of authorities.
- 4.6.2 It was previously agreed that an annual review of cyber security risks is undertaken and an audit was completed in February 2016. Whilst the report highlighted that some risks relating to the management and control of cyber security are currently being well managed, there are a number of areas requiring action. This includes the need to continue to progress the ongoing review of IT disaster recovery processes (as referred to in 4.6.3); ensure the inventory of information assets and owners is up to date; and ensure policies in relation to cyber security are reviewed and up to date to ensure roles and responsibilities are clearly defined. (The Council is working on a number of actions in respect of IT security with a view to resubmitting its submission to the Cabinet Office by August 2016 in respect of its



compliance with requirements established as part of the Public Sector Network accreditation process).

- 4.6.3 An audit was previously undertaken of the Council's IT Data Centre to assess the physical security and environmental controls in place to protect the Council's core data and equipment. A follow up review was recently completed. It was noted that the majority of recommendations had been implemented or progressed. A key action is to establish adequate IT disaster recovery arrangements and the Council is in discussions with other organisations to progress this.
- 4.6.4 An audit review had previously been undertaken of IT Governance and Security in Schools which included visits to a number of schools. A follow up audit was undertaken during the year which highlighted 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 (A final report issued was issued in May 2016 which will be reported on as part of the Quarter One Audit and Assurance update).
- 4.6.5 The External Auditors, Grant Thornton, completed a review of IT controls within the Council's SAP Financial system. 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 are to be followed up by Salford Internal Audit Services, with the work commencing in quarter one of 2016/17.
- 4.6.6 Audit has contributed to ongoing developments in relation to the Council's approach to Information Governance. This has included input to the Information Security Governance Board (ISGB) (see 4.10.3). It is noted that the Council is continuing to review its Information Governance arrangements as part of the ISGB Work Plan.
- 4.6.7 Audit completed an independent check of the Council's Information Governance Toolkit submission to the Department of Health in March 2016. 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 2016.
- 4.6.8 There were two further reviews within the 2015/16 Internal Audit Plan where work is to be completed in 2016/17. A review of IT Change Management processes was rescheduled to 2016/17 in agreement with the ICT Service. In addition, planning for an IT based review of the Adult Social Care system, Liquid Logic and supporting ContrOCC system commenced during the year with the work to be reported later in 2016.

#### **4.7 Procurement / Contracts**

- 4.7.1 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.

- 4.7.2 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.
- 4.7.3 Two audits referred to below were completed by Stockport Council, on behalf of all three Councils. Findings from both audits were followed up at the end of 2015/16 and details of these will be reported in the Quarter One 2016/17 Audit and Assurance update).
- 4.7.4 One review related to a review of STAR governance arrangements and a final report was issued in November 2015. It was acknowledged that significant progress has been made in developing the Shared Service with clearly defined governance arrangements, including the establishment of the STAR Board and STAR Joint Committee with clearly defined terms of reference and processes for decision making. Some recommendations were made regarding the benefits realisation framework including recommending improvements in processes for recording data on the savings register and processes for verifying data before it is reported to the STAR Joint Committee. An agreed action plan was completed to address all recommendations made and the follow up audit completed at the end of the year highlighted all recommendations had been implemented.
- 4.7.5 The other review was in respect of an audit of the contracts register maintained by STAR. Findings were that whilst overall adequate arrangements were in place for updating the register, it was acknowledged that work is ongoing to continue to improve processes. As part of the agreed action plan it was noted that planned work included reviewing the format and content of the register. The review was followed up with a report issued in quarter one of 2016/17 highlighting continued improvements to the maintenance of the register. (Further details of this review and the governance review are in Appendix C).
- 4.7.6 During the year, the Audit and Assurance Service liaised with the Council's EGEI Directorate in respect of developments in relation to the One Trafford Partnership between the Council and Amey which began operating in July 2015 for the provision of a range of Environmental, Highways, Street Lighting and Technical Services. Arrangements were made for an update to be provided to the Accounts and Audit Committee at its March 2016 meeting which set out governance arrangements, progress to date and future plans. An audit review of the One Trafford Partnership is included in the 2016/17 Internal Audit Plan.

- 4.7.7 At the request of the EGEI Directorate, an audit review was completed of contract arrangements in relation to outdoor advertising. Systems and controls were generally found to be adequate with a small number of recommendations made.
- 4.7.8 Further to a previous general review of procedures in relation to matchday parking contracts at schools around Old Trafford sports grounds, a follow up visit was made to one school where a less than adequate audit opinion had previously been provided. Improved arrangements had been established for monitoring income received from the contract.
- 4.7.9 During the year, Audit was requested to undertake work to assist the Council in monitoring arrangements in respect of the lease agreement in respect of Altrincham Market in terms of verifying income due to the Council from the Market Operator. Audit worked both with the EGEI Directorate and the Market and made recommendations to enable improved monitoring arrangements going forward and will review progress later in 2016/17.
- 4.7.10 As listed in Appendix B, some time was spent in relation to the financial vetting of contractors. In 2015/16, this included working with STAR to share Council processes for undertaking checks to assist in STAR agreeing a harmonised process across the Councils.
- 4.7.11 In terms of other planned work, a planned review of the corporate Car Parking enforcement contract was rescheduled in agreement with the relevant service and work commenced in quarter one of 2016/17. A review of contract monitoring arrangements in relation to Home to School Transport has also been rescheduled to be included in the 2016/17 Plan.
- 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 10 audit reports issued in this category (9 of which were final reports with 1 draft as at 31 March 2016). A summary of findings for each review is shown in Appendix C denoted by Business Risks. As shown below, adequate or above opinions (Medium or Medium/High) were given for eight of the ten reports issued and less than adequate opinions (Low/Medium) were given for two reports. The reviews completed to final or draft

report stage as at 31<sup>st</sup> March 2016 are listed below. The listing includes the relevant Corporate Directorate the review related to at the time of the audit.

**Reports issued:**

- Business Continuity (T&R/Authority-wide) : Low/Medium Opinion
- Sale Waterside Arts Centre (T&R): Medium
- Registration Service (T&R) : Medium/High
  
- Schools Catering (EGEI): Low/Medium
- Planning Control (EGEI): Medium/High
- Altrincham Crematorium (EGEI) : Medium/High
  
- Section 17 Payments (Children's Act) (CFW) : Medium
- Barge Project (CFW) : Medium
- Pathways Day Centre (CFW): Medium/High
- Client Finances (CFW): Medium (Draft report)

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

- The review of business continuity identified the need to ensure business continuity arrangements across the Council were updated. Services needed to update their business impact analyses and where appropriate business continuity plans and in doing so ensure ICT considerations are accounted for. This is to enable priorities for ICT to be considered in terms of restoration of systems following an incident. This audit review will be followed up later in 2016.
- The review covering processes operated by the Schools Catering Service, including monitoring of expenditure, income and stocks identified a number of recommendations to improve existing controls. These were made to ensure adequate evidence is retained that income is fully accounted for and improved processes are in place to monitor and control food costs. A follow up review will be undertaken in 2016/17 to consider progress in implementing the recommendations made.

4.8.4 Other reviews, particularly where a Medium Opinion was given, also resulted in a number of recommendations as referred to in individual reviews in Appendix C. The audit of Sale Waterside Arts Centre highlighted the need for improved procedures for controlling bar stocks and following the initial audit, a further review was completed to make specific recommendations in this area which have been agreed in an Action Plan which will be followed up in 2016/17.

4.8.5 In respect of other reviews followed up in 2015/16:

- In respect of Taxi licensing, management completed a self-assessment highlighting progress to date in implementing previous recommendations and it was agreed that a follow up audit would be completed in 2016/17.

- In respect of Trafford Town Hall catering, follow up work has been undertaken as part of a wider audit review of cash income and any findings specific to this area will be shared with management in quarter one 2016/17.

4.8.6 In addition to planned work, Audit reviewed existing security arrangements in relation to the Trafford Town Hall post room and recommended revised arrangements in relation to room access which were agreed.

4.8.7 As stated in the 2016/17 Annual Internal Audit Plan report issued in March 2016, in agreement with respective Directorates, two reviews have been rescheduled from 2015/16 to be included in the 2016/17 Plan. These are as follows:

- Section 106 and the Community Infrastructure Levy (EGEI Directorate).
- Aids and Adaptations (CFW)

#### **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 work undertaken, adequate supporting information had been retained to support claims made.

4.9.2 During 2015/16, work included internal audit checks of the following: Highways Capital Maintenance Grant 2014/15; Pothole Fund Grant 2014/15; Additional Local Highways Maintenance Grant 2014/15; Local Sustainable Transport Fund Grant; Disabled Facilities Grant 2014/15. In addition, Audit has completed sample checks to support claims made relating the Council's Stronger Families Programme.

#### **4.10 Project Groups / Boards**

4.10.1 The Audit and Assurance Service has contributed to project / working groups across the Authority.

4.10.2 This included in the early part of the year continued attendance at meetings for the implementation of the Adult Social Care software package 'Liquid Logic' and 'ContrOCC' its partner financial package.

4.10.3 Internal Audit has contributed in the latter part of the year to the Information Security and Governance Board with input to the refresh of a number of Council policies in respect of Information Governance.

## 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:

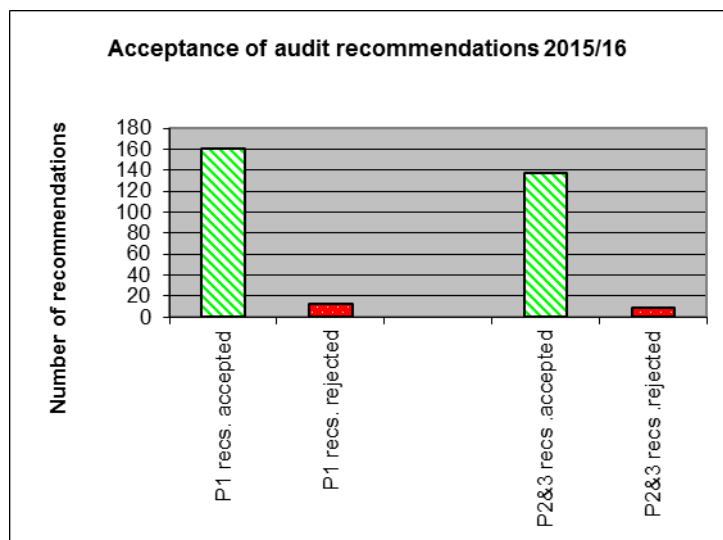
**Priority 1** These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

**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

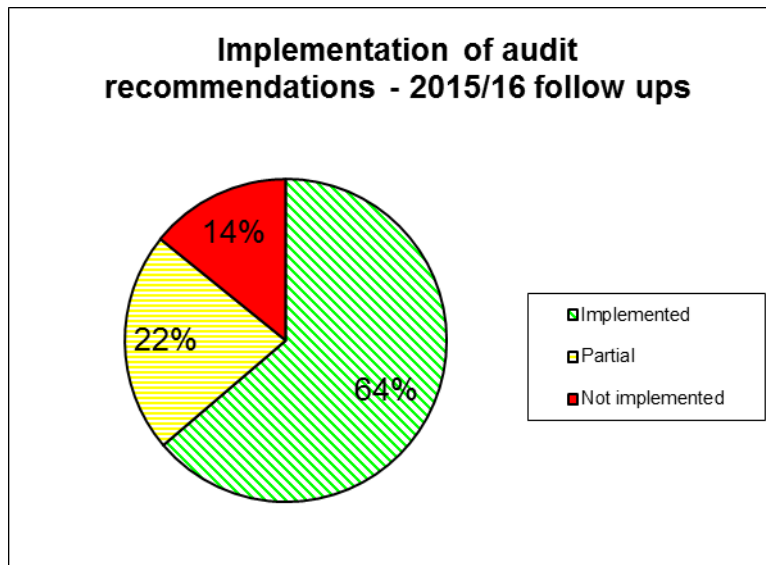
- 5.3 The table below shows levels of acceptance of recommendations made during 2015/16.



The majority of audit recommendations made during the year were accepted. Of the 174 Priority 1 recommendations made, 161 (93%) were accepted (service target is 95%). The acceptance rate for priority 2 or 3 recommendations was 94%, i.e. 137 of the 146 made. Overall, 93% of all recommendations were accepted (compared to 94% in 2014/15).

### Implementation of audit recommendations

- 5.4 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.
- 5.5 In 2015/16 there was significant time spent in following up school audit recommendations following the issue of a number of Low/Medium Opinion reports for schools over the previous 12 months. There were 19 follow ups completed in 2015/16 (12 audit reviews of which 7 were schools and 7 self assessments, of which 5 were schools).
- 5.6 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 chart below.



- 5.7 From the reviews undertaken, of a total of 353 recommendations followed-up during 2015/16, it was reported that 225 (64%) had been implemented at the time of the follow up audit reviews (this compares to 57% reported in the previous year). A further 78 (22%) have been partially implemented or are in progress (17% reported in the previous year). 50 recommendations (14%) have not been implemented (compared to 26% in the previous year).

5.8 It should be noted that of the above 353 recommendations analysed above, these relate to the following in terms of recommendations excluding schools and recommendations specific to school audits.

<b>Recommendations Followed Up Excluding Schools</b>		<b>Recommendations followed up- School Audits</b>	
Total Number	99	Total Number	254
Recommendations Implemented or no longer applicable	44%	Recommendations Implemented or no longer applicable	71%
Recommendations Implemented in part/in progress	39%	Recommendations Implemented in part/in progress	16%
Recommendations not implemented	17%	Recommendations not implemented	13%

In Appendix 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**

- 5.9 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.
- 5.10 The overall rating was good or very good for 97% of the responses (96% in 2014/15) against a service target of 85%. In terms of impact, 66.5% of respondents stated that following the audit review, it was expected that there would be a significant or very significant improvement in the standard of control. An analysis of the responses is shown in Appendix D.
- 5.11 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 882 days (97% of the chargeable planned target of 910 allocated days). There was in addition a further 50 planned days for contingency. An analysis of planned time against actual work in 2015/16 is shown in appendix B.
- 6.2 Fewer days were completed than planned for the year due to the loss of audit days following the departure of one Audit and Assurance Officer during the course of the year. A recruitment process resulted in the post being filled after the year-end. This accounts both for the lower number of days against the planned allocated days and also accounts for the contingency days. (It should be noted that following the recent retirement of two staff, two vacancies existed by the end of April 2016 which has been taken into account as part of the 2016/17 Internal Audit Plan. Developments in relation to these posts will be reported in the Quarter One 2016/17 Audit and Assurance update).



- 6.3 Within each category, there are some variations between planned and actual days. The two categories where less than half the planned time was used related to the financial vetting of contractors and also work in respect of Corporate Governance. Less time was spent than planned on financial vetting of contractors given changes in processes with this task largely being undertaken by the STAR Procurement Service. In terms of Governance, national changes to the CIPFA/SOLACE framework and guidance were not issued until after the year-end so possible time set aside for reviewing processes against the new guidance was not required until 2016/17. Given reduced audit resources at the start of 2015/16, provisionally, less time had been planned in for financial systems work than in earlier years, but given the reduced actual time spent in some other categories, actual time spent in respect of financial systems work was brought back to a similar level of time spent in the previous year and time planned for 2016/17.
- 6.4 The majority of reviews have either been completed as planned or were in progress at the year-end providing coverage across all the different areas set out in the Audit Plan. As indicated in Section 4, there were a number of reviews rescheduled to 2016/17 in agreement with respective Directorates (See 4.4.2, 4.6.8, 4.7.11, 4.8.7). The 2016/17 Internal Audit Plan reported to CMT and the Accounts and Audit Committee in March 2015 took account of reviews carried forward from 2015/16.
- 6.5 A total of 32 opinion reports were issued during the year. Going forward, a target for numbers of audit opinion reports issued has been introduced (As per the 2016/17 Internal Audit Plan a target of 35 audit opinion reports to be issued has been set. In addition, a target has been set for issuing final reports following the issue of a draft of less than 5 weeks to take into account time for services to agree an action plan and for a finalised report to be completed.

## **7. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

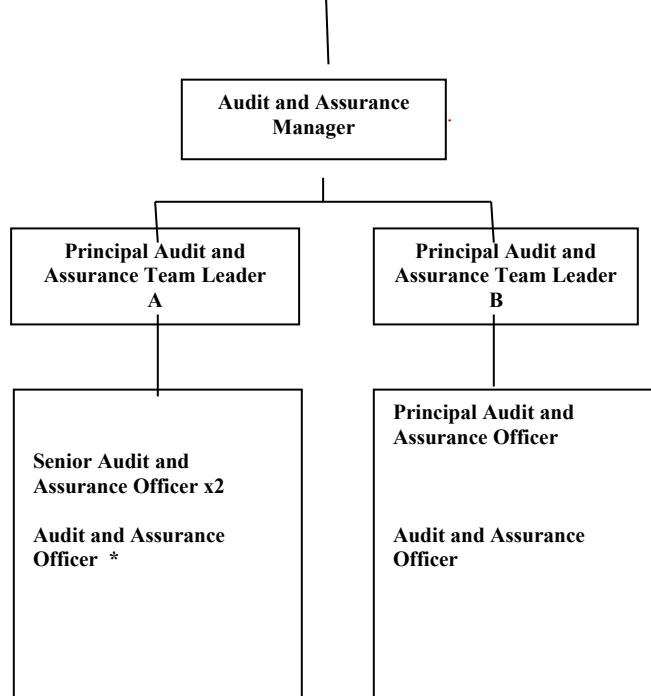
- 7.1 It is a requirement that the Annual Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS). The Service undertakes its work, generally in conformance with the Standards.
- 7.2 The Standards incorporate a number of aspects including:
- Ethics (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 completed to support conformance include the review and update of the Internal Audit Charter and Strategy, which included the Service's Quality Assurance and Improvement Programme. As previously planned, a number of other documented

procedures within the Audit Manual were reviewed and updated including procedures for audit reporting.

- 7.4 The Service continued to report on its work through the year to both CMT and the Accounts and Audit Committee which included both updates on progress against the 2015/16 Plan and the Audit Plan for 2016/17.
- 7.5 All staff are required to sign 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.
- 7.7 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:
- As previously reported, the need for an external assessment to be completed by March 2018. Audit is currently working with other north west local authorities to agree timescales to achieve this. (PSIAS 1312 – External Assessments).
  - Liaison with other services to review and update anti-fraud policies and procedures to reflect recent changes, including the introduction of the new Counter Fraud and Enforcement team. (PSIAS 2110 – Governance).
  - Training for a counter fraud qualification by an auditor to help support the process above plus other training identified where necessary in respect of specialist areas of audit. (PSIAS 1210 - Proficiency).
  - Further review and updating of some sections of the Internal Audit Manual of Procedures and supporting processes in respect of the planning and management of audit assignments (PSIAS 2040 - Policies and Procedures, 2010 – Planning).
- 7.8 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 e.g. arrangements for performance appraisal in terms of particular Officer / Member roles in this process. Audit and Assurance continue to liaise with other north-west local authorities to share good practice and in respect of any future external review, the Service will consider any further actions identified through that process as part of ongoing development of the Service.

**AUDIT AND ASSURANCE SERVICE**

(Audit and Assurance Manager reports to the Section 151 Officer)



Note: During 2015/16 there was a significant overlap of responsibilities between the 2 teams. There were, however, some specialist areas of Audit that individual teams focussed on as follows:

A - Risk Management, Schools Audit

B – Governance, ICT; Fundamental Financial Systems

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

\* Note: One Audit and Assurance Officer left the Council in May 2015 and the post remained vacant for the rest of 2015/16. (In 2016/17 the above vacancy was filled (April 2016).

(It should be noted that 2 staff have since retired (1 Senior Audit and Assurance Officer at the end of March 2016 and 1 Principal Audit and Assurance Team Leader in April 2016, the latter post being subject to a recruitment process which commenced in May 2016).

**APPENDIX B**

**2015/16 OPERATIONAL PLAN: PLANNED WORK AND ACTUAL DAYS SPENT**

	<u>Days Planned</u>	<u>Actual Days</u>
<b>Fundamental Financial Systems</b> Completion/progression of fundamental financial systems reviews.	160	239
<b>Governance / Annual Governance Statement (AGS)</b> Corporate / partnership governance review work and collation of supporting evidence and production of the 2014/15 AGS. Preparation for production of the 2015/16 AGS.	60	25
<b>Risk Management</b> Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy.	25	24
<b>Anti-Fraud and Corruption</b> Investigation of referred cases. Work in co-ordinating the reporting of the Council's NFI data matching exercise. 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.	140	109
<b>Procurement / Value for Money</b> Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money. (This includes liaison with the STAR Procurement Service and partner authority auditors).	50	31
<b>ICT Audit</b> ICT and Information Governance reviews to be completed in line with the ICT audit plan.	60	61
<b>Schools</b> School Audit reviews. Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	120	117
<b>Assurance – Other Business Risks</b> 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.	155	154
<b>Grant Claim Checks / Data Quality</b> Internal audit checks of grant claims / statutory returns as required. This includes verification checks of data submitted by the Council as part of its Stronger Families programme.	30	32

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	<u>Days Planned</u>	<u>Actual Days</u>
<b>Service Advice / Projects</b> General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	80	80
<b>Financial Appraisals</b> Financial Assessments of contractors and potential providers.	30	10
<b>Total Allocated Days</b>	910*	882

\* Note : A further 50 days was allocated in the Plan as a contingency.

**ALL AUDIT REPORTS ISSUED IN 2015/16 WHERE AN OPINION LEVEL IS GIVEN** **APPENDIX C**

**Points of Information**

**Audit Opinion Levels (RAG reporting) :**

**Opinion – General Audits**

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

\*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
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**Final Reports –  
Quarter 1**

**Level 4 Reports:**

<b>Works Management System (EGEI/ Environment and Operations)</b>	<b>Medium (GREEN)</b> (8/6/15) <i>Financial System</i>	The Works Management System (WMS) was a key system used by a number of departments to request, record and charge for works undertaken. At the time of the review, given the future introduction of the One Trafford Partnership, the scope of the audit focussed on gaining assurance on the adequacy of information feeding in to the financial ledger through review of a sample of transactions, to ensure appropriate information was recorded on the WMS with consistent supporting information as an audit trail. The
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majority of transactions selected and sampled for this review were found to have sufficient supporting evidence available directly from interrogation of the WMS. However, a small number of works orders required examination of archived paper records in order to review the associated inputs and outputs. This prompted a recommendation to be made to be considered in light of the introduction of the Partnership with the aim that monitoring by the Council as the client is undertaken through ready access to systems without recourse to paper records or other archived material. In response to this recommendation, Audit was advised that the ability to have such access was included in the contract specification.

**Level 2 Reports:**

<b>School Catering (EGEI) / Environment and Operations)</b>	<b>Low/Medium (AMBER)</b> (17/6/15) <i>Business Risks</i>	The review covered processes operated by the Schools Catering Service, including monitoring of expenditure, income and stocks. A number of recommendations were made to improve existing controls including : <ul style="list-style-type: none"> <li>• Retaining evidence of regular reconciliation of income received to supporting records, including till receipts to ensure funds are fully accounted for.</li> <li>• The monitoring of invoices raised to schools to ensure payments are received promptly.</li> <li>• Considering the usage of available information to monitor and control direct costs, primarily food costs.</li> </ul> A follow up review will be undertaken in 2016/17 to consider progress in implementing the recommendations made.
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**Level 1 Reports:**

<b>Pathways Day Centre (CFW) / (Adult Social Services and Community Wellbeing)</b>	<b>Medium/High (GREEN)</b> (12/6/15) <i>Business Risks</i>	An audit of the Pathways Day Centre was completed. Overall, adequate and effective controls were found to be in place for most areas reviewed. A small number of recommendations were made. These included the need to ensure an up to date business continuity plan was in place. All recommendations made were agreed by the Service.
<b>Seymour Park Community Primary School (CFW) / (Children’s Services)</b>	<b>Medium (GREEN)</b> (18/6/15) <i>School</i>	Overall governance arrangements and the systems and controls for financial planning, budgetary control and income and banking were found to be effective. In respect of payroll arrangements, the school needs to ensure that all payments to staff are made through the payroll system to ensure the appropriate statutory deductions are made. A number of incorrect payments to staff had been made by the school relating to services provided to other schools. These have been identified and the Council’s Payroll Section has worked with the school to ensure the correct deductions are made. A subsequent follow up review took place in 2016.

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REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
<b>Final Reports – Quarter 2</b>		
<b>Level 4 Reports :</b>		
<b>Business Continuity (T&amp;R &amp; Authority- wide) / (Transformation and Resources)</b>	<b>LOW/ MEDIUM (AMBER) *</b> (30/7/15) <i>Business Risks</i>	Progress had been made with implementing in part most recommendations previously made (10 out of 11). A key area to be addressed, however, is the need to ensure appropriate IT Disaster Recovery arrangements are in place, aligned to service needs and priorities. This includes ensuring Service Business Impact Analyses, which consider critical functions and activities, provide sufficient detail regarding key requirements in relation to IT systems to enable the recovery of systems to be prioritised. An Action Plan was agreed as part of the finalised audit report and developments made through the rest of the year in implementing recommendations will be followed up further in 2016.
<b>Income Control (T&amp;R &amp; Authority-wide) / (Finance)</b>	<b>MEDIUM/ HIGH (GREEN)</b> (21/9/15) <i>Financial System</i>	The review was undertaken to gain assurance that key controls relating to the receipting, allocation and reconciliation of income received by the Council were working effectively. In respect of corporate processes managed by Finance Services, overall, effective procedures were in place. It was acknowledged that the Council is working to achieve compliance with the Payment Card Industry Data Security Standard following recent changes in requirements. In addition, audit work has also been completed across a number of services/establishments in reviewing income control arrangements. As part of this audit, one of the recommendations made was to consider the addition of further details regarding income control within the Council's Financial Procedure Rules on their next review to ensure more detail is provided of standards expected of services across the Council.
<b>Let Estates (EGEI) / (Economic Growth and Planning)</b>	<b>LOW (RED)</b> (27/7/15) <i>Financial System</i>	Let estates income is generated from a number of properties across the Borough, with annual income received of over £2m. Audit testing found that property records were not up to date and a significant number of updates to the property database were required. Since the review work was undertaken, the Let Estates function is now managed by Amey as part of the One Trafford Partnership. In the management response to the audit findings, Audit has been advised that Amey are to compile a Technical Services Plan later in 2015/16. This will include an agreed approach to ensure records are brought up to date which will be agreed with client officers from the Council. Progress against recommendations made in this review will be followed up in 2016.
<b>Level 2 Reports:</b>		
<b>Planning Control (EGEI) / (Economic Growth and Planning)</b>	<b>MEDIUM/ HIGH (GREEN)</b> (7/9/15) <i>Business Risks</i>	Overall it was found that controls were adequate and effective at the time of the audit review to address most business risks reviewed. Some recommendations were made to improve existing systems and controls. These included ensuring observations from Planning site visits are consistently documented and also further checks are introduced to monitor income received with reference to both the Planning system and the Council's General Ledger.
<b>Level 1 Reports:</b>		



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<b>Sale Waterside Arts Centre (T&amp;R)/(Communities and Partnerships)</b>	<b>MEDIUM (GREEN)</b> (18/8/15) <i>Business Risks</i>	The purpose of this review was to evaluate the controls in place for the management of business risks in respect of the Box Office ticketing and Bar stocks and income. Whilst adequate procedures were in place across some areas reviewed, a number of recommendations were made which included improving existing systems and controls in respect of the security of cash and stocks. It should be noted that although a Medium opinion was given in relation to the work detailed in this report, Audit and Assurance continued to work with the Service to follow up outstanding queries from the review in relation to stock control and made further recommendations to the Service in a separate report.
<b>Springfield Primary School (CFW) / (Children's Services)</b>	<b>LOW/ MEDIUM (AMBER)*</b> (24/8/15) <i>School</i>	Progress has been made to implement or partially implement 16 of the 26 previous audit recommendations made. In addition to the recommendations which remain outstanding, which included actions relating to ordering and payment procedures and maintenance of the School Fund records, a couple of further recommendations were made in relation to updating certain procedures within the school's Finance Manual. The school will be contacted in 2016/17 for a further update to review progress made.

REPORT NAME (DIRECTORATE)	OPINION (R/A/S)/ (Issued)/ Category	COMMENTS
<b><u>Final Reports – Quarter 3</u></b>		
<b><u>Level 4 Reports :</u></b>		
<b>Treasury Management 2014/15 (T&amp;R) / (Finance)</b>	<b>High (GREEN)</b> (9/11/15) <i>Financial System</i>	A high level of assurance was given in last year's audit review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year. The results of audit testing concluded that no formal recommendations were required with only some minor issues highlighted in respect of levels of detail documented.
<b>STAR Shared Procurement Service (T&amp;R) / (Finance)</b>	<b>Moderate ** (GREEN)</b> (13/11/15) <i>Procurement/ Contracts</i>	<p>The review was undertaken of the STAR Shared Procurement Service, which was established in February 2014. The review was led by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. The key objective of the audit was to review how effective the STAR Shared Procurement Service has been in achieving the primary objectives set out in the Business Case. The audit included reviewing a sample of procurement activities and their respective associated savings relating to 2014/15 and 2015/16.</p> <p>It was noted that the 2014/15 savings target for the STAR Service was £2.0m and the actual savings reported to the STAR Board and Joint Committee was £1.962m. It is acknowledged that significant progress has been made in developing the Service with clearly defined governance arrangements, including the establishment of the STAR Board and STAR Joint Committee with clearly defined terms of reference and processes for decision making. Some recommendations were made regarding the benefits realisation framework including recommending improvements in processes for</p>

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		<p>recording data on the savings register and processes for verifying data before it is reported to the STAR Joint Committee. As part of the agreed action plan it was noted that planned work by STAR included reviewing the format of the savings register. The review was followed up later in the year and details will be reported in the Quarter One 2016/17 Audit and Assurance update.</p>
<p><b>Contracts register (T&amp;R and Authority Wide) / (Finance)</b></p>	<p><b>Moderate ** (GREEN)</b>  (13/11/15)  <i>Procurement /Contracts</i></p>	<p>The review was undertaken of the contracts register maintained by the STAR Shared Procurement Service. The review was led by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. Key objectives were to ensure that controls were in place to ensure the contracts register is complete, accurate and up to date with adequate supporting information held and roles and responsibilities for maintaining the register clearly defined.</p> <p>Findings were that whilst overall adequate arrangements were in place, it was acknowledged that work is ongoing to continue to improve processes for maintaining the register. The contracts register continues to be developed and over time gaps in information are being followed up. Recommendations made include adding further details within the register such as contact details for staff involved in commissioning new contracts; ensuring supporting documentation is filed in a consistent manner and services to regularly check contracts information held on the register. As part of the agreed action plan it was noted that planned work included reviewing the format and content of the register.</p>
<p><b><u>Level 2 Reports :</u></b></p>		
<p><b>Registration Service (T&amp;R) / (Transformation and Resources)</b></p>	<p><b>Medium/High (GREEN)</b>  (3/12/15)  <i>Business Risks</i></p>	<p>Overall, adequate and effective controls were in place in respect of risks reviewed as part of the audit of the Council's Registration Service. It was noted that control improvements implemented following the previous audit review had continued to be maintained. Recommendations made in this latest review included some improvements to security procedures both in relation to regular changing of keypad combinations to access secure areas and regular review of access rights to IT systems.</p>
<p><b>Section 17 payments – Children Act 1989 (CFW) / (Children's Services)</b></p>	<p><b>Medium * (GREEN)</b>  (16/12/15)  <i>Business Risks</i></p>	<p>A number of control improvements have been introduced since the previous audit review covering the administering of Section 17 monies used to support children in need and their families (under the Children's Act 1989). In addition to 11 previous recommendations previously implemented which was previously reported in October 2014, from the latest follow up audit review completed in 2015, a further 4 recommendations have been fully implemented and 1 in part. Five other recommendations remain to be fully implemented where progress has been made but there are still some improvements required in some service areas. In particular, it is important that there are adequate procedures across all areas to ensure the necessary approval is obtained and evidenced prior to making Section 17 payments. In addition, full reconciliations of the imprest accounts should take place on a regular basis to account for all monies held and spent.</p>
<p><b><u>Level 1 Reports:</u></b></p>		
<p><b>St. Anne's C of E Primary School</b></p>	<p><b>Medium * (GREEN)</b></p>	<p>Good progress has been made in implementing previous audit recommendations (18 out of 23 agreed recommendations have been</p>

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(CFW) / (Children's Services)	(1/12/15) <i>School</i>	implemented and 1 in part). The audit opinion has been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. New recommendations are in respect of the need to update the school's development plan and the other to formalise approval procedures for the disposal of assets.
St. Michael's C of E Primary School (CFW) / (Children's Services)	<b>Medium *</b> <b>(GREEN)</b> (7/12/15) <i>School</i>	Good progress has been made in implementing previous audit recommendations (23 out of 34 agreed recommendations have either been implemented or are no longer applicable and 6 have been implemented in part). The audit opinion has been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. These included the need to review costs associated with lettings to ensure these are taken into account when reviewing charges.
Cloverlea Primary School (CFW) / (Children's Services)	<b>Medium *</b> <b>(GREEN)</b> (7/12/15) <i>School</i>	Good progress has been made in implementing previous audit recommendations. (26 out of 32 agreed recommendations have been implemented and 2 in part). The audit opinion has now been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. New recommendations are in respect of formalising approval procedures for the disposal of assets and to improve record keeping for elements of the School Fund to ensure there is an adequate analysis of income and expenditure across each main category of activity.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
<b>Final Reports – Quarter 4</b>		
<b>Level 4 Reports :</b>		
IT Data Centre (T&R) / (Transformation and Resources)	<b>Medium *</b> <b>(GREEN)</b> (13/1/16) <i>ICT Audit</i>	<p>The Council's ICT infrastructure moved in to the basement of the Town Hall in May 2013. An audit was previously undertaken by Salford Audit Services of the Council's IT Data Centre to assess the physical security and environmental controls in place to protect the Council's core data and equipment. A follow up review was recently completed.</p> <p>Out of the 14 recommendations originally made, eight have been implemented, four recommendations have been reiterated and two have been partially met or are ongoing. An action plan for the recommendations which remain outstanding which relate to some physical security aspects has been agreed. It is acknowledged that work is currently underway in considering future options for ensuring adequate disaster recovery arrangements are in place.</p>
Cyber Security (T&R) / (Transformation and Resources)	<b>Medium</b> <b>(GREEN)</b> (29/2/16) <i>ICT Audit</i>	Some of the risks relating to the management and control of cyber security are currently being well managed, There are, however, a number of areas requiring action that have been identified in the report. This includes the need to continue to progress the ongoing review of IT disaster recovery processes; ensure the inventory of information assets and owners is up to date; and ensure policies in relation to cyber security are reviewed and up to date to ensure roles

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and responsibilities are clearly defined.

**Level 2 Reports:**

<b>Outdoor Media (EGEI) / (Environment and Operations &amp; Economic Growth and Planning)</b>	<b>Medium/ High (GREEN)</b> (23/2/16) <i>(Procurement /Contracts)</i>	Systems and controls were found to be adequate across most areas reviewed in relation to the arrangements for outdoor advertising. A recommendation was made in respect of formally documenting meetings in relation to contract monitoring which would assist in terms of business continuity in the absence of key personnel.
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<b>Altrincham Crematorium (EGEI) / (Environment and Operations)</b>	<b>Medium /High * (GREEN)</b> (14/3/16) <i>Business Risks</i>	Testing revealed good progress in respect of previous recommendations and a satisfactory level of compliance with the controls covering most business risks. Particular developments made included improved processes in respect of income recording and reconciliation to banking records. Further agreed recommendations to implement include introducing a further year end process to reconcile activity levels of cremator usage to other records including income.
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**Level 1 Reports:**

<b>Barge Project (CFW) / (Children's Services)</b>	<b>Medium (GREEN)</b> (30/3/16) <i>Business Risks</i>	The Council owns two narrowboats, normally used to support youth groups and young parent groups but also used for hire to other groups. The Barge project currently receives lottery funding. At the request of the CFW Directorate, the audit was completed to provide assurance that controls in operation with regard to the management and operations of the Barge Project were sufficient to secure proper accounting records and security of the Council's assets whilst maximising the income receivable from grant providers and service users. Whilst overall procedures and controls were found to be adequate, recommendations included reviewing future charges, marketing opportunities and use of the boats to help achieve the sustainability of the project in the medium term.
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<b>St. Ann's RC Primary School (CFW) / (Children's Services)</b>	<b>Medium * (GREEN)</b> (14/1/16) <i>School</i>	Good progress has been made in implementing previous audit recommendations. (Of the 26 overarching recommendations made, 11 recommendations have been fully/substantially implemented and 13 implemented in part). The audit opinion was revised to Medium from a Low/Medium opinion provided at the last review. The school have completed an action plan to address the remaining recommendations from this review.
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<b>Broomwood Primary School (CFW) / (Children's Services)</b>	<b>Medium/High (GREEN)</b> (4/2/16) <i>School</i>	Systems and controls were found to be adequate across the majority of areas covered. A small number of recommendations were made including the need for the formal approval of policies in relation to Freedom of Information and also the disposal/write off of assets.
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<b>St Teresa's RC Primary School (CFW) / (Children's Services)</b>	<b>Medium /High * (GREEN)</b> (22/3/16) <i>School</i>	Good progress has been made in implementing previous audit recommendations (Of the 24 previous recommendations made, only 4 remain wholly outstanding). Agreed recommendations to implement include clearly linking the school's three development plan with budget information.
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<b>Seymour Park Community Primary School (CFW) / (Children's Services)</b>	<b>Medium /High * (GREEN)</b> (22/3/16) <i>School</i>	Good progress has been made in relation to all of the previous 14 recommendations made, including improvements in payroll-related procedures. Further work to complete includes the updating of the school's inventory of assets.
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REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
<b><u>Draft Reports</u></b>		
<b><u>Level 4 Reports:</u></b>		
<b>Cash Expenditure Control – Imprest Accounts (Authority-Wide) / (Finance).</b>	<b>Medium (GREEN)</b> (19/11/15) <i>Financial System</i>	The review was undertaken as part of an on-going series of audits in areas where there is a significant element of cash expenditure and/or significant levels of cash held. Overall, based on the areas reviewed, procedures for operating petty cash imprest accounts were found to be satisfactory. It was recommended that Audit guidance on cash holding is circulated to all account holders. It was acknowledged that progress continues to be made in reducing levels of cash held and alternative arrangements continue to be considered where possible. The number of imprest accounts held across the Council has gradually continued to reduce (54 accounts with a value of £69k were held as at November 2015). A final report will be issued in quarter one of 2016/17 to confirm findings and agreed actions.
<b>Council tax (T&amp;R) / (Finance)</b>	<b>High (GREEN)</b> (22/3/16) <i>Financial System</i>	Based on the controls reviewed, a high level of assurance has been maintained with a good level of control found to be in place, with no recommendations made in this review.
<b>Payroll (T&amp;R) / (Transformation and Resources)</b>	<b>Medium/High (GREEN)</b> (24/3/16) <i>Financial System</i>	A draft report was issued at the year-end with a view to being finalised in quarter one of 2016/17. Agreed findings will be included in the Quarter One Audit and Assurance update.
<b><u>Level 2 Reports:</u></b>		
<b>Client Finances System (CFW) / (Finance&amp;Adult Social Services and Community Wellbeing)</b>	<b>Medium * (GREEN)</b> (17/3/16) <i>Business Risks</i>	A draft report was issued at the year-end with a view to being finalised in quarter one of 2016/17. Agreed findings will be included in the Quarter One Audit and Assurance update.
<b><u>Level 1 Reports :</u></b>		
<b>Moss Park Junior School (CFW) / (Children’s Services)</b>	<b>Medium/High (GREEN)</b> (30/3/16) <i>School</i>	Systems and controls were found to be adequate across most areas covered. A small number of recommendations were made such as the introduction of evidencing checks completed within a number of systems and procedures including the reconciliation of bank statements, petty cash balances and maintenance of the inventory.
*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 audit review.		**Note: Audits completed by Stockport Council on behalf of Stockport, Trafford and Rochdale Councils. A “Moderate Opinion” was provided which is equivalent to an opinion of at least “Medium” per the Trafford Council framework and the opinion is therefore shown as “Green”.

**CLIENT SURVEY RESPONSES 2015/16**

**APPENDIX D**

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	6	6			
Feedback of findings and liaison during the audit	7	4	1		
Professionalism of auditors	12				
Helpfulness of auditors	11	1			
Timeliness of the review and the draft report	10	2			
Clarity of the report	9	3			
Accuracy of the report	8	3	1		
Practicality of the recommendations made	8	3	1		
Usefulness of the audit as an aid to management	9	3			
<b>Total</b>	<b>80</b>	<b>25</b>	<b>3</b>		
<b>%</b>	<b>74%</b>	<b>23%</b>	<b>3%</b>		
	<b>Very Significant</b>	<b>Significant</b>	<b>Moderate</b>	<b>Minor</b>	<b>None</b>
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	1	7	2	1	1
<b>%</b>	<b>8.5%</b>	<b>58%</b>	<b>16.5%</b>	<b>8.5%</b>	<b>8.5%</b>