

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 20 July 2022  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### Report Title

**Annual Report of the Head of Internal Audit 2021/22**

### Summary

The purpose of the report is:

- To provide a summary of the work of the Audit and Assurance Service during 2021/22.
- To provide an opinion on the overall adequacy and effectiveness of the Council's control environment (which encompasses internal control, risk management and governance) during 2021/22.

### Recommendation

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

### Contact person for access to background papers and further information:

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**Background Papers:**

None

*Implications:*

Relationship to Corporate Priorities	The scope of the work of Internal Audit may cover all of the Council's corporate priorities.
Relationship to GM Policy or Strategy Framework	Where appropriate, Internal Audit will liaise with GM partners and where applicable, undertake joint working in carrying out planned work.
Financial	<p>In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS).</p> <p>The work of internal audit may cover a diverse range of service areas, functions and areas of risk covering both financial controls and wider aspects of internal control, risk management and governance.</p>
Legal Implications	See Financial Implications
Equality/Diversity Implications	See above
Sustainability Implications	See above
Carbon Reduction	See above
Staffing/E-Government/Asset Management Implications	See Above
Risk Management Implications	See Above
Health and Safety Implications	See Above



**TRAFFORD**  
**COUNCIL**

## **Audit & Assurance Service**

# **Annual Report of the Head of Internal Audit 2021/22**

**July 2022**

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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 2021/22. The most important aspect of the Annual Audit Report is to give an independent and objective opinion as to the overall adequacy and effectiveness of the Council's control environment during 2021/22.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2021/22 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; ensure effective systems are in place to manage risks including the risk of fraud and also demonstrate value for money.

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 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 2021/22. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2022. Any further issues relating to work undertaken after that time are covered in future update reports through the year to the Corporate Leadership Team and the Accounts and Audit Committee.

Planned internal audit work has been subject to some changes during 2021/22 due to the impact of the pandemic across the Council. There has, however, continued to be a range of internal audit work undertaken during the year across each of the main areas of the Internal Audit Plan, which enables an audit opinion to be given.

For most audit reviews undertaken, at least reasonable levels of assurance have been gained that the systems, procedures and controls in place to manage risks and deliver objectives are operating to a satisfactory standard. Follow-up internal audit work in areas previously reviewed demonstrates that progress is continuing to be made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2021/22, actions have been agreed with management to be followed up in 2022/23.

Given the above, based on assurance gathered during 2021/22, the Internal Audit Opinion is that, overall, a reasonable level of assurance can be given that the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

## **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 2021/22. The report provides an opinion as to the overall adequacy and effectiveness of the Council's control environment during 2021/22.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS). It is a requirement of PSIAS that an annual internal audit report is written and presented to the organisation.
- 1.3 The Internal Audit function is provided by the Audit and Assurance Service, which is part of the Finance and Systems Directorate. Day to day management is the responsibility of the Audit and Assurance Manager who reports to the Director of Finance and Systems (Section 151 Officer). The Service maintains independence in its reporting as set out in its Charter and associated procedures.
- 1.4 During 2021/22, the establishment of the Audit and Assurance Service comprised 6 full time equivalent (FTE) staff.
- 1 Audit and Assurance Manager,
  - 1 Principal Audit and Assurance Team Leader
  - 1 Principal Audit and Assurance Officer
  - 3 Senior Audit and Assurance Officers

One officer (Principal Audit and Assurance Team Leader) left the Council at the end of September 2021. Further to a recruitment exercise the post was filled internally in the team and the subsequent vacancy at Principal Audit and Assurance Officer level was also filled internally. At the end of 2021/22 this left one vacancy at Senior Audit and Assurance Officer level. It is aimed to recruit to fill this post later in 2022.

- 1.5 In addition to in-house resources, Salford Internal Audit Services provided support in respect of elements of the ICT Internal Audit Plan. The Audit and Assurance Service also worked with other Internal Audit providers where appropriate such as Stockport, Rochdale and Tameside Councils in respect of the STAR Shared Procurement Service.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy (which were included in the report to CLT and the Accounts and Audit Committee in March 2022 with the 2022/23 Internal Audit Plan report). 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 In common with services across the Council, the COVID-19 pandemic continued to have an impact on the Audit and Assurance Service during the year. In terms of undertaking planned audit work, this largely involved working in a remote way for a significant part of the year. Since the year-end, as part of the recovery from the pandemic, the Service has adopted a “hybrid working” approach, in line with the Council’s guidance, and now combines an approach of physical audit meetings and visits with remote working as part of usual practice.

## **2. INTERNAL AUDIT OPINION FOR 2021/22**

- 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. The opinion supports the Annual Governance Statement. **The Internal Audit Opinion for 2021/22 is as follows.**

**Planned internal audit work has been subject to some changes during 2021/22 due to the impact of the pandemic across the Council. There has, however, continued to be a range of internal audit work undertaken during the year across each of the main areas of the Internal Audit Plan, which enables an audit opinion to be given.**

**For most audit reviews undertaken, at least reasonable levels of assurance have been gained that the systems, procedures and controls in place to manage risks and deliver objectives are operating to a satisfactory standard.**

**Follow-up internal audit work in areas previously reviewed demonstrates that progress is continuing to be made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2021/22, actions have been agreed with management to be followed up in 2022/23.**

**Given the above, based on assurance gathered during 2021/22, the Internal Audit Opinion is that, overall, a reasonable level of assurance can be given that the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.**

- 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, service reviews and procurement/contracts related reviews. (See Section 4 and Appendices A to B). Of the final audit reports issued during the year, all opinion reports issued provided substantial or reasonable assurance that controls were adequate and effective with the exception of 1 final report providing limited assurance. (See 3.4 to 3.6).

- For all final reports issued, action plans were agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (98%) have been agreed by management (See 5.1 to 5.3).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2021/22 and good progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, of the areas reviewed 95% of recommendations previously made had either been fully implemented or implemented in part / were in progress. (See 5.5 to 5.10 for an analysis of follow up audit 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 Leadership Team and the Accounts and Audit Committee. By the end of the year, the highest risk in the register related to uncertainty over the Council's medium term financial position. It is acknowledged that there are significant challenges ahead with the need to manage financial pressures including the impact of the pandemic, upward trend in inflation rates and significant rises in energy and fuel prices. There was regular reporting on how risks were being addressed. (See 4.3 including details of audit work completed and planned).
- Strategic risks are also reflected where applicable as part of significant issues in the Council's Annual Governance Statement. The 2020/21 AGS identified a number of significant governance issues for continued action in 2021/22 (See 4.2.4). Updates on all significant issues will be included in the 2021/22 AGS to be agreed by the Corporate Leadership team and this is due to be reported as a draft document for review by the Account and Audit Committee in July 2022. (See 4.2)
- The Audit and Assurance Service has continued to contribute to anti-fraud and corruption activity and where appropriate worked in liaison with other services including the Counter Fraud and Enforcement team. The Service has continued to co-ordinate work, in liaison with other services, in relation to the National Fraud Initiative (See 4.4).
- The Service continues to contribute to the review of information security and governance processes across the Council and development of action plans through its work. (See 4.6).
- There were some changes to planned audit work, due to the continuing impact of COVID-19. This included some audits being delayed at the request of services. In addition, time was required by Audit to support the COVID-19 response as it contributed to processes for making payments of grants to local businesses as part of the Additional Restrictions Grant Scheme. This consisted of making a number of checks prior to grant payments being made to provide greater assurance that payments were being made to eligible businesses. (See 4.9.4 and 6.3).
- A number of reviews were in progress by the year-end and therefore final reports had not been issued. It should be noted, however, that based on findings to date from those reviews in progress that whilst these will include reporting of a number of control improvements and recommended actions to address these, there were no reviews where a less than reasonable opinion is currently expected. (See 3.6).
- The audit opinion for 2021/22 also reflects assurance provided through the year from a number of sources which are reflected throughout the report such as corporate actions in responding to the impact of the pandemic, ongoing monitoring including financial management and the Council progressing improvement actions following external inspection and audit.



2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2021/22 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 2021/22 (with an additional contingency of 100 days). This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix A for a summary of work planned against completed with a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2021/22 Internal Audit Plan was 849. Details of planned work against actual are discussed further in Section 6.

3.2 It should be noted that in addition to the 849 actual days, additional time was taken for other activities that are not attributable to one particular category of work but support the audit process. In 2021/22, this included continued support to the Accounts and Audit Committee, liaison with the External Auditor, 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.

3.3 Details of the internal audit reports issued are shown in Appendix B. Further detail in relation to audit reports issued are detailed in the Audit and Assurance update reports presented to CLT and the Accounts and Audit Committee through the year. (The final update covering January to March 2022 has been issued in July 2022 alongside this Annual Head of Internal Audit Report).

#### **Analysis of Audit Opinions**

3.4 For each audit report issued, one of four possible opinions is given. The four opinions are also denoted as Red/Amber/Green. These opinion levels were introduced from April 2021, taking into account guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The following table shows the number of final reports issued during 2021/22 for each opinion level.

LEVEL OF ASSURANCE	R/A/G STATUS	DESCRIPTION	NUMBER OF FINAL REPORTS ISSUED 2021/22
<b>Substantial Assurance</b>	<b>Green</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	<b>6</b>
<b>Reasonable Assurance</b>	<b>Green</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	<b>9</b>
<b>Limited Assurance</b>	<b>Amber</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	<b>1</b>
<b>Very Low or No Assurance</b>	<b>Red</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	<b>0</b>
<b>Other*</b>		Audit report issued with none of the above opinion levels – see notes below	<b>3</b>
		<b>TOTAL</b>	<b>19</b>

\*Reports include 2 audit reviews where it was agreed that overall the direction of travel is improving compared to the previous audits but a further review will be completed later in 2022 where a new audit opinion will be provided to take into account ongoing developments. The other audit was completed as a consultancy review with a view that an audit review is undertaken at a later stage once the system is fully implemented.

- 3.5 As shown above, in respect of the final audit reports issued during the year, substantial or reasonable opinions were provided for all final audit opinion reports issued with the exception of one report with limited assurance. The framework of Opinion levels has changed compared to the previous year but overall, levels of assurance remain similar to the previous year.
- 3.6 A full listing of reports issued and associated audit opinions is given in Appendix B. It should be noted that there are a number of reviews where reports are either at draft stage or work is in progress at year-end (as also shown in Appendix B). At the time of writing, whilst other reports to be issued will include reporting of a number of control improvements and recommended actions to address these, there were no reviews where a less than reasonable opinion is currently expected. Details, however, will be confirmed through updates in 2022/23.

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

- 3.7 A significant proportion of time spent does not result in the issue of formal internal audit opinion reports. The Audit and Assurance Service has contributed to a number of activities including the following:
- Risk management (including facilitating the update of the Council's strategic risk register and contributing to the provision of Risk Management guidance).
  - Anti-fraud and corruption (including co-ordinating the Council's work in supporting the National Fraud Initiative),
  - Working in liaison with Democratic Services to provide input and support to the process for producing the 2020/21 AGS and in planning the approach for the production of the 2021/22 AGS.
  - Where required, completing a number of checks as part of processes for certifying grant claims, reviewing performance data and other returns.
  - During 2021/22, significant time was provided to support the COVID-19 response with Audit and Assurance staff supporting other services administering COVID-19 business grants payments by carrying out a number of checks as part of the processes.
  - Gathering assurance on IT security and governance in schools through a questionnaire which is informing further audit work in 2022/23.
  - Providing other guidance and support (which included updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance).

## Stakeholders

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

## Part Two – Detailed Findings

### 4. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2021/22 and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis. (It should be noted any references to Corporate Directorates with the report relate to reporting structures in place in 2021/22)

#### 4.1 Fundamental Financial Systems

- 4.1.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems. Details of progress made during the year is set out below.
- 4.1.2 As also listed in Appendix B, three final audit reports were issued during the year and all opinion levels issued provided Reasonable or Substantial Assurance:

Reported in the April to July 2021 Audit and Assurance update:

-Children's Social Care Payments (Reasonable Assurance). The audit focussed on follow up of the previous review recommendations reported in April 2019 in relation to the Children's Adult Social Care payments system, Liquid Logic/ContrOCC. It is acknowledged whilst progress was impacted by the Covid-19 response, improvements continue to be made and which are also being informed by a system health check review. Further review of progress with outstanding recommendations is to be followed up later in 2022/23.

Reported in the August to October 2021 update:

-Accounts Payable System (Reasonable Assurance). The report noted that as part of the response to the pandemic, the Accounts Payable function implemented changes in procedures with the introduction of remote working and additional demand was placed on the team with the need to process COVID-19 related grant payments. Audit testing found overall that processes were found to be working effectively. The service has continued to progress with planned service improvement work with further developments planned including the further development of training documentation for system users.

-Treasury Management (Substantial Assurance). The report concluded that the Council's treasury management processes continue to achieve a high level assurance opinion. This includes the continued effective use of processes introduced at the start of the pandemic to accommodate remote working.

- 4.1.3 Further to a final report issued in 2020/21 on the Council's Asset Investment Strategy, a follow-up was completed in August 2021 which noted most recommendations had been implemented with plans in place to address any remaining recommendations. Further actions in this area are reflected in the Council's action plan relating to the CIPFA Financial Management Code (See Governance-Section 4.2.5).
- 4.1.4 Appendix B includes other reviews in progress by the year-end. This includes reviews within Adult Services. Firstly, an audit of Direct Payments in Adult Services where initial draft findings had been produced and a final report is to be completed by quarter one of 2022/23. In addition, a review of Adult Social Care payments was also in progress with an initial draft report to be also shared in quarter one. An audit of the Council's payroll system and procedures was also in progress by year-end. Whilst it is expected that for reviews in progress, these are expected to include reporting of some control improvements and recommended actions to address these, as at June 2022, there were no reviews where a less than "Reasonable" opinion is currently expected. Details, however, will be confirmed through updates in 2022/23.
- 4.1.5 In respect of other planned reviews, planning commenced on an audit of the Council tax system and it was agreed at the request of service management to schedule this review commence in early 2022/23. Other planned work has been rescheduled to 2022/23 as indicated in Appendix B.
- 4.1.6 In terms of the Council's financial management, there was regular reporting of budget monitoring through 2021/22 with reports submitted through the year to the Executive and Accounts and Audit Committee. These included actions taken to monitor and manage a number of financial pressures including the impact of the pandemic, upward trend in inflation rates and significant rises in energy and fuel prices.
- 4.1.7 The 2020/21 Annual Audit Report, issued by External Audit (Mazars) in February 2022, provided an unqualified opinion on the financial statements for the year ended 31 March 2021. As part of this, it was reported that a small number of areas were identified to improve internal control and management have agreed to address these areas. This included in relation to processes for ensuring that there is always an adequate description of journal entries posted to the general ledger.

## 4.2 **Governance**

- 4.2.1 The Audit and Assurance Service has a key role in providing assurance on the standards of governance and internal control in the Authority.
- 4.2.2 The requirement to produce an Annual Governance Statement (AGS) is set out in the Accounts and Audit Regulations. Legal and Democratic Services co-ordinate the production of the Annual Governance Statement in liaison with Officers and Members as set out in the approach / timetable agreed by the Accounts and Audit Committee each year. In order to complete this, corporate governance arrangements are reviewed with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This 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 principles covering issues such as ethics/values; stakeholder engagement; sustainable economic, social and environmental benefits; policies and procedures; capacity and training; management of risks and transparency/reporting arrangements.

- 4.2.3 Audit and Assurance continued to work with Legal and Democratic Services to provide advice on the process for producing the 2020/21 AGS. Audit also provided comment on early versions of the Draft AGS prepared by Legal and Democratic Services. These were taken into account in producing the Draft AGS, which was presented to the Accounts and Audit Committee at its July 2021 meeting. Audit and Assurance has continued to liaise with Legal and Democratic Services to provide advice in planning for the preparation of the 2021/22 AGS. As part of this, Audit has highlighted some areas for development to consider regards the AGS process. This includes reviewing the Council's Corporate Governance Code, which was produced following CIPFA/SOLACE guidance, to ensure it is up to date.
- 4.2.4 The final approved 2020/21 AGS, presented to the Accounts and Audit Committee for approval in September 2021, included a number of significant governance issues highlighted for continued progression in 2021/22 including actions in continuing to manage the impact of the COVID-19 pandemic; managing the Council's medium term financial position; review of the One Trafford Partnership with Amey; continued improvement actions in response to the Ofsted review of Children's Social Care; developments in governance supporting the delivery of leisure services; developments identified to improve information governance and ongoing improvement in the Council's business continuity arrangements. Updates on all significant issues will be included in the 2021/22 AGS to be agreed by the Corporate Leadership team and reported as a draft document for review by the Accounts and Audit Committee in July 2022.
- 4.2.5 Councils are expected to demonstrate that they are complying with the Financial Management Code, produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and reflect details on this in the AGS. This sets out the standards of financial management expected for local authorities. The aim of the Code is to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The first full year of compliance with the Financial Management Code is 2021/22. However, in recognition of the pressures that have been placed on local authorities in dealing with the COVID19 pandemic and impact on the medium-term financial position, CIPFA concluded that the first year of compliance can be within a more flexible framework where a proportionate approach is encouraged. An assessment has been completed by Financial Management and details of compliance will be reported to the Accounts and Audit Committee in July 2022. It is noted that whilst there is general conformance with the Code, a number of further actions to enhance compliance with the various standards are set out. These will also be taken into account in respect of future audit planning.
- 4.2.6 A number of key developments in governance across the Council in 2021/22 are to be reported in the 2021/22 AGS. This included the refresh of the Council's Corporate Plan "Our Trafford, Our Future" which was approved by the Council in November 2021 setting out the key priorities of reducing health inequalities, supporting people out of poverty, and addressing our climate crisis. In terms of standards, the Council conducted a review of the Members' Code of Conduct, utilising the

Model Code provided by the Local Government Association. The Model Code was subsequently adopted by the Council in March 2022.

### 4.3 **Risk Management**

- 4.3.1 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with CLT. This ensures that the Council formally identifies and monitors key risks to the achievement of Council objectives.
- 4.3.2 Reports setting out the strategic risk register and key developments in the management of risks have been submitted to and reviewed by CLT through the year. The Accounts and Audit Committee were provided with updates in July and November 2021 and March 2022. The strategic risk reports highlighted responsibilities and ongoing actions to manage the various risks as referred to below.
- 4.3.3 By the end of the year, the highest risk in the register related to uncertainty over the Council's medium term financial position. Other high risks included managing the impact of disruption caused by COVID-19; the climate change emergency; risks in relation to information governance; dealing with increase demand for school places; the performance of the One Trafford Partnership; risks in relation to delivering Leisure Services across the Borough and risks in relation to the economic impact of Brexit and COVID-19. Other risks include in relation to ensuring effective business continuity arrangements in place and also ensuring health and safety risks are continued to be managed effectively.
- 4.3.4 Risks in relation to safeguarding vulnerable children are also within the strategic risk register. The Council is continuing to progress an action plan in relation to Children's Social Care following the Ofsted review, originally reported in May 2019. It is noted that the Council is continuing its efforts to improve the service and ensure all of the issues identified by Ofsted are addressed. It is noted that this issue was also highlighted as a significant weakness in the External Auditor's Annual Report 2020/21 issued in February 2022, where it is acknowledged as reported by Ofsted during their visits in 2021/22 that improvements are being made but further action is required.
- 4.3.5 In terms of planned internal audit reviews, a review of business continuity was completed in November 2021. This review set out a position statement of progress made to date against previous audit recommendations. This reflected the fact that a project is in progress by the Council to improve arrangements in respect of business continuity, both corporately and at service levels, aiming to address issues previously reported by Audit and Assurance. Work includes refresh of existing business impact analyses and business continuity plans which will also help to inform IT Disaster Recovery plans. Given that development work was in progress at the time of the audit, it was agreed that a further follow-up audit will be undertaken later in 2022 which will further assess progress and an updated audit opinion will be provided (The previous audit opinion provided a Limited Level of Assurance and this will be reviewed to take into account any developments made or underway).

- 4.3.6 An audit of insurance arrangements was completed in 2020/21 and a follow up of progress made of a small number of recommendations originally made showed these had been implemented or were being progressed as far as possible.
- 4.3.7 In respect of a planned audit review of health and safety, it was agreed at the request of management that this review was rescheduled given continuing commitments that were arising through the year, given the pandemic. Updates on actions in respect of managing health and safety risks were continued to be provided through strategic risk updates. There were regular communications to staff from the Council through the year providing guidance and support setting out Council procedures regards health and safety in response to the pandemic and more recently in respect of staff returning to the office, taking into account government and public health 'Living with Covid Guidance'.
- 4.3.8 Risks in relation to the Council investment strategy also remain in the strategic risk register. (See 4.1.3 regards the follow-up audit of this area). As part of the Accounts and Audit Committee's role in monitoring strategic risks, a presentation was provided by the Director of Finance and Systems on the Asset Investment Strategy and measures in place to manage associated risks.
- 4.3.9 In respect of cyber security risks, Section 4.6.5 refers to internal audit work and other reporting.
- 4.3.10 During 2022/23, other areas of risk will be considered for further internal audit work covering both strategic and service level risks.

#### 4.4 **Anti-Fraud and Corruption**

- 4.4.1 Audit work in this area relates to reviewing measures in place to reduce the risk of fraud and corruption and, where appropriate, undertaking investigative work. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

##### **National Fraud Initiative**

- 4.4.2 The Audit & Assurance Service continues to co-ordinate the Council's participation in the statutory National Fraud Initiative (NFI) exercise. The 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. The exercise is a mandatory requirement for Local Authorities, which is co-ordinated by the Cabinet Office. The main exercise is carried out once every two years.
- 4.4.3 The Audit and Assurance Service has co-ordinated the submission of data, in liaison with other services across the Council. As part of the most recent major exercise, a number of datasets were submitted through 2020/21 and 2021/22. Following the release of data matches from these submissions, the Service has liaised with other services including the Council's Fraud and Enforcement team to facilitate the follow up of these data matches.



- 4.4.4 An update on the outcome from the exercise was included as part of the Audit and Assurance update presented to the Accounts and Audit Committee in February 2022. Since then, as at 21st June 2022, of the matches reviewed, errors in payments have been identified by Exchequer Services in relation to 7 cases, amounting to overpayments of £45k. These have been in relation to the payment of 4 COVID-19 Small Business Grants (amounting to £40k) and payments in relation to Council Tax support for the remaining 3 cases identified. These amounts are subject to recovery and where applicable information will also be reflected in the Counter Fraud and Enforcement Team Annual Report.
- 4.5.5 In terms of further work going forward, a new exercise will commence in 2022/23 with the submission of further data to the Cabinet Office around October 2022 for subsequent data matching.

### **Other Activity**

- 4.4.6 Audit and Assurance provided support to relevant services in respect of an investigation in relation to irregularities around petty cash and other administration. As part of the work, Audit provided guidance and also a draft report to the relevant service with recommendations for subsequent improvements in control. An action plan is expected to be agreed shortly.
- 4.4.7 Audit continued to liaise with Legal Services to review aspects of existing anti-fraud related policies and procedures and provide advice in respect of updates to existing procedures. During 2021/22, the Council's Whistleblowing Policy was updated and further work will be undertaken later in 2022/23 to review other aspects of the strategy.
- 4.4.8 In terms of investigations, the Council's Counter Fraud and Enforcement team within Exchequer Services have continued to undertake investigation in to suspected fraud and irregularities. During 2021/22, these were primarily in relation to council tax, business rates, social care finance and COVID-19 Business Support Grants. A report on work for the year is due to be provided by the Council's Counter Fraud and Enforcement Manager to the Accounts and Audit Committee in September 2022.

## **4.5 Procurement / Contracts**

- 4.5.1 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.
- 4.5.2 As part of internal audit planning, the Service continues to liaise with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans are co-ordinated and relevant findings from work shared to ensure an efficient audit process. There was regular liaison during the year with STAR for updates on developments, progress regards previous audit recommendations and considering future plans.

- 4.5.3 Regular reports were provided by STAR during the year to the STAR Joint Committee covering performance updates. This also included an updated risk register in March 2022. A presentation on STAR was also provided to the Accounts and Audit Committee in February 2022 which included key performance measures and plans to further develop processes to achieve Social Value.
- 4.5.4 An audit of processes introduced by STAR in respect of achieving Social Value in Procurement was completed during 2020/21 by Audit and Assurance on behalf of all the four Local Authorities. A follow-up audit review was later completed in November 2021. The introduction of the use of the Social Value Portal has resulted in significant development of processes to establish targets and monitor performance for individual contracts in respect of levels of social value achieved. Previous audit recommendations were followed up and it was confirmed that good progress had been made with all recommendations either fully implemented or being in the process of being implemented, which will further enhance processes.
- 4.5.5 An audit of the In-Tend system was included in the Internal Audit Plan, the system having been acquired by STAR to use to support contract management processes, initially with the aim of utilising it for the contracts register with a potential view to rolling out the system further to services across the Councils to support contract management. Stockport Council are to lead on this review and advised that the audit has been rescheduled with the aim to complete and report findings by the end of 2022.
- 4.5.6 In March 2022, the Cabinet Office issued a Procurement Policy Note regards reviewing contracts arrangements with suppliers from Russia and Belarus with a view to terminate these, subject to an alternative supplier being sources in line with value for money, affordability and minimal disruption to public services. Audit worked with STAR to identify key Council suppliers and carry out checks regards their ownership. Based on work to date, no issues were identified where any changes to existing suppliers needed to be considered.
- 4.5.7 It was noted that STAR also undertook a review of the Council's Contract Procedure Rules (CPRs). The updated Rules were presented to the Standards Committee, Scrutiny Committee and Executive prior to the Council agreeing in March 2022 that these were adopted. Training on the CPRs is to be arranged by STAR in 2022/23. It was agreed that a future audit review will include coverage of processes supporting the CPRs including exemptions to the CPRs and modification to contracts.
- 4.5.8 A follow- up audit was completed in September 2021 regards the use of Purchase cards. These are used across a number of services, generally to enable one off or low value purchases, online purchasing or from suppliers where payment is required upfront. The cards are administered by the Accounts Payable Team within Financial Management. Although the impact of COVID-19 had delayed some planned developments such as in relation to training, good progress has been made in implementing recommendations with all recommendations either implemented or in progress at the time of the audit.

- 4.5.9 Other internal audit reviews at Trafford covering procurement related activity include an audit of the Accounts Payable system (as referred to in 4.1.2).
- 4.5.10 In terms of a key strategic risk, there was regular reporting in the strategic risk register regards the One Trafford Partnership between the Council and Amey. It is noted that to achieve significant improvements in the delivery of the contract, the Council has activated the contractual 7 year review clause. This gave the opportunity to consider any changes to the contract for improvements and efficiencies with a process which has included Member oversight and stakeholder input. It was noted that this process is still ongoing, having been extended given the disruption caused by the pandemic. In respect of the One Trafford Partnership, as part of the 2022/23 Internal Audit Plan it was agreed that an audit will include a review of Waste Services.
- 4.5.11 Consideration of procurement / contracts aspects is also included in other categories of audit work including financial systems (per 4.1), schools (per 4.7), Other Business Risks (4.8) and Service Advice (4.10). Further planned work in relation to procurement/contracts is reflected in the 2022/23 Internal Audit Plan.

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

- 4.6.1 Changes in ways of working in the last two years, including large numbers of staff regularly working from home, highlights the importance of effective information security and governance arrangements, which are required to support such developments.
- 4.6.2 Audit work was undertaken to cover a range of issues in relation to IT procedures, processes and controls, and information governance arrangements. IT Cyber Security, Business Continuity / Disaster Recovery and Information Governance continue to be identified as significant risks to the authority as reported through the Strategic Risk Register updates. The Audit and Assurance Service commissions Salford Internal Audit Services to undertake some of this work who provide specialist IT Audit Services for a number of authorities. Work was also undertaken in respect of wider information governance issues. Internal audit work undertaken is set out below:
- 4.6.3 A review was undertaken by Salford Internal Audit Services of processes for managing the Council's IT Assets from acquisition to disposal. It was noted whilst there were no major concerns identified, there was scope to make a number of control improvements including the development of a formal IT Asset Management strategy, with supporting operating procedures and responsibilities. It was noted that there were plans as part of Phase 2 development of the Council's service management tool, Freshservice, to address a number of the recommendations in the report.
- 4.6.4 Trafford Council's ICT and Digital team provides IT services and associated support across the Council (and also to Trafford CCG during 2021/22). The main point of contact for the end users is the council's ICT service desk which records incidents and provides 'first line' support. As referred to above, a new service management system, Freshservice, is being

implemented. The new system, alongside updated procedures will support the operation of the service desk. Salford Internal Audit Services undertook a consultancy review and issued a report setting out issues to consider in developing use of the system. It is expected that an audit review will be undertaken at a later date, once the new processes have been embedded.

- 4.6.5 Cyber Security is recognised as one of the Council's strategic risks. An audit review was originally undertaken in 2020/21 to provide management with an evaluation of the council's cyber security arrangements. Reference was made to reviewing processes against the cyber security framework devised by the National Institute of Standards and Technology (NIST which includes a set of standards, guidelines and practices for protecting IT assets including data). The review concluded that most key risks are being managed but further work was required to ensure that the Council is able to achieve a reasonable level of maturity against the NIST cybersecurity framework, particularly in relation to business continuity and disaster recovery. A follow-up review was undertaken during 2021/22. It is noted that progress continues to be made in implementing recommendations and a final audit report to confirm progress is expected to be issued later in 2022. In addition, strategic risk report updates have set out developments and plans during the year. This includes work to procure a Cloud-based back up storage solution which will provide additional protection against cyber-attacks and support developments in disaster recovery. The Chief Digital Officer provided a presentation to the Accounts and Audit Committee in March 2022 on latest developments in managing cyber risks.
- 4.6.6 An audit review of the adequacy and effectiveness of ICT security in schools commenced during the latter part of the year. A questionnaire was distributed to Trafford schools and findings collated. Findings from this are being used to inform further audit work and subsequently a series of audit visits has taken place in early 2022/23 to assess arrangements at individual schools and provide guidance. Findings from this will be reported in a future Audit and Assurance update.
- 4.6.7 It is acknowledged there are a number of developments taking place in respect of ICT across the Council, including the roll-out of Microsoft 365. Audit is continuing to liaise with IT and Digital Services as part of ongoing audit planning and identify further potential review work.
- 4.6.8 In respect of information governance, an audit review was completed which followed up on findings from a previous audit in relation to the Council's processes for managing the risks of data breaches. Acknowledging the impact of the pandemic, some progress has been made in relation to each of the previous 18 recommendations. Areas of improvement include the implementation of the IKEN system for data breach incident recording and tracking. It was reported that there remains scope for further improvements in reviewing roles and responsibilities, refreshing policies and aligning data breach reporting and IT incident management. A further audit to review progress will be undertaken later in 2022/23.

- 4.6.9 There were updates on information governance included in the strategic risk register which included reference to data breaches and also performance in relation to handling subject access requests and freedom of information requests. Future audit review work in relation to these areas is being considered.
- 4.6.10 The Council is required to provide a submission for the NHS Data Protection and Security Toolkit each year. This submission is mandatory for organisations to complete to access NHS data and systems. In terms of the 2021/22 submission to be completed by June 2022, where areas for development are identified these will be considered for further review as part of audit planning.
- 4.6.11 During 2021/22, IT and Digital Services continued to promote an awareness raising campaign through the provider, Purplephish, on information security with a number of topics covered during the period through e-learning. Staff were also required to complete mandatory e-learning in relation to data protection, freedom of information and information security.

## **4.7 Schools**

- 4.7.1 As part of the Schools Financial Value Standard (SFVS) designed by the Department for Education, schools are required to compile evidence to support adherence to the Standard on an annual basis. It is noted that in accordance with SFVS, all schools have submitted a self-assessment for 2021/22 as required. Information submitted is available to Audit and Assurance to assist in planning school audits.
- 4.7.2 Areas covered in internal audit reviews reflect the requirements of the SFVS and include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; and information security and governance.
- 4.7.3 Within the Internal Audit Plan it was originally planned that 12 school audits would be undertaken in 2021/22. During 2021/22, audits were largely completed on a remote basis but a more flexible approach was introduced towards the end of the year with some physical audit visits re-introduced. During the year, in respect of school audits, 6 final audit reports were issued; 1 draft report produced; 2 school audits were in progress and plans had been made for the remaining 3 reviews to commence in Quarter 1 of 2022/23. In respect of the 6 final audit reports issued it was found at the respective schools that there were generally sound system of governance, risk management and control in place. All opinion levels issued were at least stated as “Reasonable” with 2 of these being “Substantial” levels. (See Appendix B). Where areas for improvement in controls were identified, agreed actions plans were established. Summary findings from these reviews were also included in relevant Audit and Assurance updates issued through the year. At the time of writing this report, there are no school audits in progress by year-end where it is currently expected that a less than “Reasonable” audit opinion will be given.
- 4.7.4 During the year there was follow up by Audit in relation to 5 other schools to confirm progress in implementing previous recommendations. Good progress in implementing recommendations is

highlighted by the analysis regarding audit follow ups with 92% of recommendations made either implemented or no longer applicable (See 5.9).

4.7.5 Audit and Assurance continued to liaise with Financial Management and Children's Services to assist in following up issues raised at particular schools, ongoing audit planning and, where applicable, to provide advice to schools. (Also see Section 4.6 re IT audit work in relation to schools).

#### 4.8 **Other Business Risks**

4.8.1 This comprises various work that does not fall into one of the categories referred to above but represents areas of business risk. This includes reviews of specific services and functions 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 four final audit reports issued in this category during 2021/22. Listed below are the audits completed with the respective Directorate and also opinion level given. Details of overall findings were included in the respective update reports for CLT and the Accounts and Audit Committee.

##### **Final Reports issued:**

Reported in the August to October 2021 Audit and Assurance update:

- Housing Waiting List (Place) – Substantial Assurance

Reported in the November to December 2021 Audit and Assurance Update:

- Supporting Families (Children's Services) – Assurance update provided to GMCA

Reported in the January to March 2022 Audit and Assurance update:

- Highways Inspection and Repairs (Place) – Substantial Assurance
- Let Estates (Place) – Limited Assurance

4.8.3 As shown above, two reviews were provided with an opinion of "Substantial" (Housing Waiting List and Highways Inspection and Repairs). Another review (re Supporting Families) does not have a specific assurance level in 2021/22 but assurance was gathered to provide an update as required for the Greater Manchester Combined Authority (GMCA). The report acknowledged improvements were underway with further work planned to developing Early Help services. In 2022/23, Internal Audit will review progress further and provide assurance required in accordance with GMCA requirements.

4.8.4 Finally, another final report issued (Let Estates) was provided with a Limited Level of Assurance. This lower opinion level reflected a number of control improvements required but it should be noted

that the findings were based on the Service as provided prior to it recently being transferred back from being provided by Amey as part of the One Trafford Partnership to an in-house service within the Place Directorate. An agreed action plan is currently in progress to improve controls and it has been agreed that a follow-up audit review will be undertaken by the end of 2022/23 to assess the improvements currently being made (See January to March 2022 Audit and Assurance update report for further details).

4.8.5 There were three other audits at various stages by the year-end with final reports to be issued later in 2022:

- Licensing follow-up audit (Place) – final report issued in May 2022 and details will be reported in the April to June 2022 Audit and Assurance update.
- Household Support Fund, administered through Trafford Assist (Finance and Systems) – final report issued in June 2022 and details will be reported in the April to June 2022 update report.
- Home to School Transport (Children’s Services) – review in progress and draft report expected to be completed by June 2022.

4.8.6 For a number of audits completed in the previous year, respective managers were requested to provide assurance as to progress made in implementing previous recommendations.

Respective details are included in the following Audit and Assurance updates:

- Planning and Development (Place) – details reported in August to October 2021 update.
- Altrincham Library (Governance and Community Strategy) – details reported in January to March 2022 update.

4.8.7 There are a number of reviews included in the 2021/22 Internal Audit Plan that have not commenced during the year. A number of services had commitments and priorities, particularly as a result of the continuing impact of COVID-19 during the year. Through liaison with respective Directorates, a number of reviews have been included in the 2022/23 Internal Audit Plan as reported in March 2022. In agreement with each Directorate there were also some changes to the Audit Plan during the year. These details are reflected in Appendix B under “Assurance – Other Business Risks.”

## **4.9 Grant Claims /Data Quality**

4.9.1 Audit is required to carry out checks to support information contained in some grant claims made during the year in line with national requirements in relation to funding received.

4.9.2 In 2021/22, based on the checks undertaken, adequate assurance was obtained to support the claim made in relation to the Disabled Facilities Grant 2020/21 (completed October 2021).

4.9.3 During the year, Audit was also advised of two further grants that require to be subject to internal audit checks as part of the grant certification with these to be completed by June 2022. These relate to the Public Sector Decarbonisation Scheme Phase 1 (2020/21) and the COVID-19 Contain Outbreak Management Fund 2020/21 and 2021/22. In both cases, grant

certification was satisfactorily completed in June 2022 and details will be reflected in the April to June 2022 Audit and Assurance update report.

- 4.9.4 A significant amount of time continued to be spent during the year in supporting the Council's response to the COVID-19 pandemic. Audit and Assurance continued to provide assistance to the Strategic Growth team in completing checks to support the processing of applications for the payment of grants to local businesses in respect of the COVID-19 Additional Restrictions (Discretionary) Grant Scheme. This work was undertaken all through 2021/22 and was completed in March 2022.

#### **4.10 Service advice / Projects**

- 4.10.1 Advice was provided through the year across the Council on governance and control issues across various Council Services. There has been Audit input through attendance at a number of working groups including Systems Board meetings within Adults and Children's Services. Audit provided some input to the review and update of a number of Policies in relation to Information Governance. There was also liaison with the Commissioning team to provide some advice regards due diligence processes in undertaking service provider checks. Advice and support is also reflected elsewhere in earlier sections of this report e.g. re schools audit, risk management, governance etc.

- 4.10.2 The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption. The current content on the intranet is currently under review as part of the Council's implementation of Microsoft 365 and Audit is working with IT and Digital Services to ensure relevant information is included within the new system.

- 4.10.3 Audit continued to provide support to the Accounts and Audit Committee and issued a number of reports through the year as detailed in the 2021/22 Accounts and Audit Committee Annual Report.

### **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.

#### **Acceptance of Recommendations**

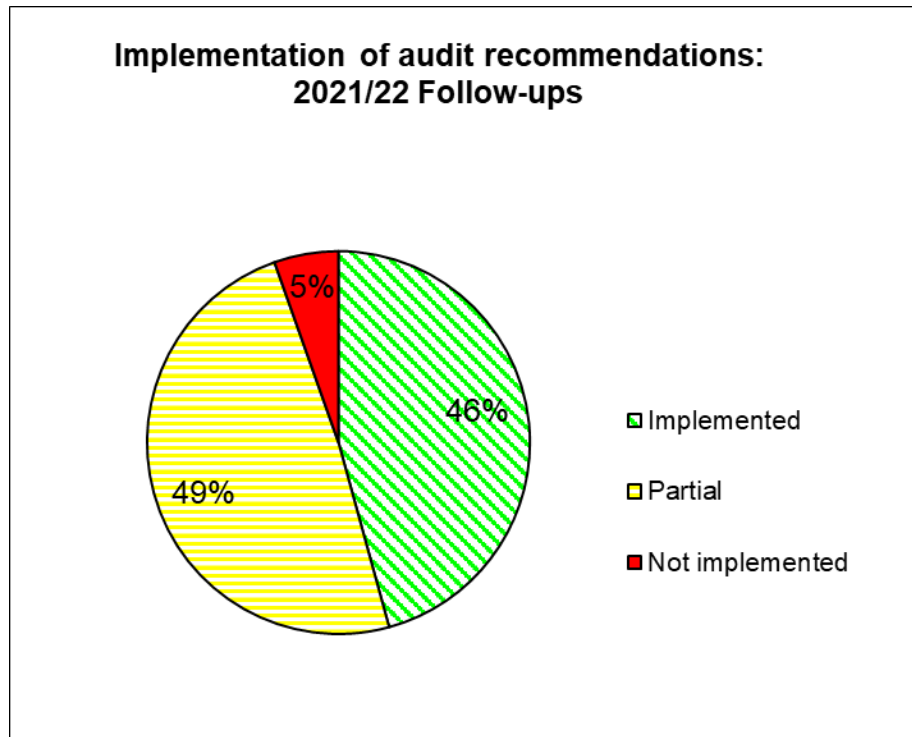
- 5.2 Most audit recommendations made during the year were accepted by management. Of the 53 new recommendations made during the year, 52 were accepted i.e. 98% (the same percentage as in 2020/21).
- 5.3 It should be noted that there were a number of other recommendations made during the year reflected in work in progress by the end of March 2022 and details regarding acceptance of these will be reflected in Audit and Assurance updates once respective reports are finalised in 2022/23.



5.4 Whilst overall less new recommendations were made compared to 2020/21 (when 103 recommendations were made), it should be noted that a number of audit reports issued in 2021/22 related to follow up work covering progress in implementing recommendation from the previous year (see below).

### Implementation of audit recommendations

- 5.5 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.
- 5.6 The results of individual follow up reviews are set out in the respective Audit and Assurance update reports which have been issued through the year. In terms of the latest reported outcomes this is reflected in the Audit and Assurance update for January to March 2022.
- 5.7 For all follow up work undertaken, an analysis of the percentage of recommendations implemented at the time of the respective follow up reviews is shown in the following chart.



5.8 From the reviews undertaken, of a total of 129 recommendations followed-up during 2021/22, it was reported that 59 (46%) had been implemented at the time of the follow up audit reviews (compared to

74% of recommendations followed up in 2020/21). A further 63 (49%) have been partially implemented / in progress (24% reported in the previous year). 7 recommendations (5%) had not been implemented (compared to 2% in the previous year).

5.9 It should be noted that of the above 129 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	92	Total Number	37
Recommendations implemented or no longer applicable	27%	Recommendations implemented or no longer applicable	92%
Recommendations Implemented in part/in progress	66%	Recommendations Implemented in part/in progress	5%
Recommendations not implemented	7%	Recommendations not implemented	3%

5.10 There are a number of other follow-up audit reviews which were in progress by year-end. Details will be reported as part of further updates in 2022/23. It is noted that in 2021/22, compared to the previous year, a lower proportion of recommendations had been fully implemented but most that were not fully implemented were being progressed. It is acknowledged that the impact of COVID-19 has contributed significantly to this. Progress in implementing recommendations is taken into account to inform future audit planning and where appropriate further follow-up work has been planned for 2022/23 in areas where the implementation of a significant number of recommendations are in progress.

### **Client feedback**

5.11 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management. For 2021/22, the responses were favourable from the completed questionnaires received. There were 6 survey responses received which all provided ratings of "Very Good" against the various aspects of the audit process (Based on 4 possible levels from "Very Good" to "Inadequate"). The survey also asked regards the level of improvement in internal control expected to be achieved following the audit review (2 responses indicated a significant improvement; 1 with a moderate improvement; 2 limited improvement and 1 indicated no improvement but regards the latter response, no audit recommendations had been made). There were a number of audits in progress by the year end where responses have yet to be requested but where feedback is obtained, this will be reflected in any future reporting for 2022/23.

5.12 The analyses of recommendations, follow-ups and client responses continues to demonstrate 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 849 days (93.3% of the chargeable planned target of 910 allocated days). Following the departure of an officer during the year, there was some reduction in available days for part of the year but this has been largely mitigated by contingency time in the plan (See section 1.4 re staffing changes during the year). An analysis of planned operational audit time against actual days spent in 2021/22 is shown in Appendix A. Within each category, there are some variations between planned and actual days. This has occurred for sections of the Audit Plan where some reviews have been rescheduled to 2022/23 and where applicable this was taken into account in planning allocated time within the 2022/23 Internal Audit Plan.
- 6.2 In the 2021/22 Internal Audit Plan, a target was set of 32 audit opinion reports to be issued to either final or draft stage. There were 18 final audit opinion reports actually issued (and 1 other final report issued providing consultancy advice). There were 4 other opinion reports at draft stage so in total 23 audit reports produced, with a further 7 reviews in progress.
- 6.3 A lower number of audit reports were actually issued compared to that planned. As in the previous year, significant time was spent to support the Council in administering COVID-19 grants to businesses resulting in some changes to work completed. This is reflected in Appendix A showing time spent in relation to Grant checks. In addition, during the year there were changes in planned work including the rescheduling of some reviews at the request of services due to commitments arising from the impact of the pandemic. There were some delays in completing work, in particular in relation to schools, with the need to work remotely rather than undertake a physical visit. Despite the above, assurance was obtained across each main area of the Internal Audit Plan. For the first quarter of 2022/23, there has been an increase in completion of audit reports as the restrictions have been removed (and details will be reported in the next Audit and Assurance update).
- 6.4 Available resources were considered through the year to ensure account was taken of priorities, including in relation to statutory duties, specific deadlines and risk areas to follow up from previous years e.g. in relation to the certification of grant claims, input to the Annual Governance Statement, National Fraud initiative work, follow-up audits etc. In addition, a number of reviews were rescheduled in agreement with relevant services to 2022/23.
- 6.5 Appendix B shows details of audit opinion reports issued during the year. It also highlights any work in progress or scheduled for 2022/23.
- 6.6 The 2022/23 Internal Audit Plan reported to CLT and the Accounts and Audit Committee in March 2022 took account of reviews to be carried forward from 2021/22.

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

- 7.1 The Audit and Assurance Service carries out its work in general conformance with the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit.

- 7.2 It is a requirement that the Annual Head of Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).
- 7.3. 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).
- 7.4 In terms of actions previously identified at the end of 2020/21, to support continued conformance with PSIAS the following was completed (The relevant PSIAS reference is shown in brackets):
- A review was previously undertaken during 2020/21 of the Internal Audit opinion levels used to provide an opinion on individual audit reviews. The review took into account CIPFA guidance issued in April 2020 and a new set of opinion levels was set out in the 2021/22 Internal Audit Plan approved by the Accounts and Audit Committee in March 2021. The new opinion levels have been implemented with all audit opinion reports issued from April 2021 applying the new levels (PSIAS 2450 - Overall Opinion).
  - Work was undertaken to support the Council's Anti-Fraud and Corruption Strategy with Audit input provided, in liaison with the Council's Monitoring Officer, to update details within the Council's whistleblowing policy (PSIAS 2110 - Governance).
  - In line with the Council's workforce re-integration as part of COVID-19 recovery and in accordance with corporate guidance on "hybrid" working, the Service has utilised a mix of remote working and physical visits as part of audit reviews and will continue to develop its ways of working (PSIAS 2300 – Performing the Engagement).
- 7.5 Following a self-assessment against PSIAS undertaken at the end of 2021/22, actions planned to be undertaken through 2022/23 to support conformance include the following:
- In liaison with other relevant services, continue to work to review and, where appropriate, update the existing Anti-Fraud and Corruption Strategy and supporting guidance.
  - With the ongoing development of Council IT systems including the implementation of Microsoft 365, work will continue to consider appropriate systems to use for documenting and storing internal audit work. This includes considering the future use of the existing Audit Management System with a view that any possible revisions to current arrangements are implemented through 2023/24. There is also ongoing development of the use of IT systems to support data analytics work as part of undertaking audit reviews.
- 7.6 It is a requirement of PSIAS that an external quality assessment of Internal Audit is undertaken at least every 5 years. The previous external assessment was completed towards the end of 2017/18. A further assessment has been arranged to be undertaken at the end of 2022/23. This will be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA). It is expected

that the review will be undertaken in March 2023 and findings will be reported to the Accounts and Audit Committee at its first meeting in 2023/24.

- 7.7 In accordance with its Quality Assurance and Improvement Programme, the Service continued to report on its work through the year to both CLT and the Accounts and Audit Committee which included both updates on progress against the 2021/22 Plan; the impact of audit work; client feedback and the Internal Audit Plan for 2022/23.

**APPENDIX A**

**2021/22 Operational Plan: Planned Work and Actual Days Spent**

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2021/22</u>	<u>Actual Days 2021/22</u>
<b>Financial Systems</b>	<p><b>Completion of fundamental financial systems reviews</b></p> <p>See Section 4.1 for work completed and Appendix B for audit opinion reports issued and planned.</p>	150	144
<b>Governance</b>	<p><b>Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</b></p> <p><b>Advice / assurance in respect of governance issues.</b></p> <p>See Section 4.2 for description of work completed and planned.</p>	25	22
<b>Corporate Risk Management</b>	<p><b>Facilitating the updating of the Council's strategic risk register.</b></p> <p><b>Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</b></p> <p>Also See 4.3 for work completed and Appendix B for opinion reports produced and planned.</p>	45	44
<b>Anti-Fraud and Corruption</b>	<p><b>Co-ordinate the Council's activity in respect of the National Fraud Initiative ensuring work completed across services in investigating data matches is progressed in accordance with Cabinet Office requirements.</b></p> <p><b>Contributing to investigations of referred cases of suspected theft, fraud or corruption.</b></p> <p><b>Other work to support the Anti-Fraud and</b></p>	60	64

	<p><b>Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</b></p> <p>See Section 4.4 for work completed and planned.</p>		
<b>Procurement / Contracts/ Value for money</b>	<p><b>Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work includes liaison with the STAR Procurement Service and partner authority auditors).</b></p> <p>See Section 4.5 for work completed and Appendix B for opinion reports issued and planned.</p>	60	24
<b>Information Governance / Information, Communications and Technology</b>	<p><b>ICT Audit reviews and advice, including reviews conducted by Salford Internal Audit Services.</b></p> <p><b>Information Governance audit reviews</b></p> <p>See Section 4.6 for work completed and Appendix B for audit opinion reports issued and planned.</p>	80	92
<b>Schools</b>	<p><b>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</b></p> <p><b>Audit reviews of schools – 12 school audit visits to be undertaken during the year.</b></p> <p><b>Follow-up of progress for audits completed in 2020/21.</b></p> <p>See Section 4.7 for work completed and Appendix B for audit opinion reports issued and planned.</p>	140	139
<b>Assurance – Other Business Risks</b>	<p><b>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services and functions. Includes:</b></p> <ul style="list-style-type: none"> <li>- Audit reviews</li> <li>- Follow up reviews including further audits and gaining assurance from service updates.</li> </ul> <p>See Section 4.8 for work completed and Appendix B for audit opinion reports issued and planned.</p>	195	132

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<b>Grant claims checks / Data Quality</b>	<b>Internal audit checks of grant claims / statutory returns and other checks as required (including in relation to COVID-19 business grant payments)</b>  See Section 4.9 for work undertaken.	95	142
<b>Service Advice / Projects</b>	<b>General advice and guidance, both corporately and across individual service areas.</b>  <b>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</b>  See Section 4.10 for work completed.	60	46
<b>TOTAL</b>		<b>910*</b>	<b>849</b>

\* Note there was a further contingency of 100 days within the 2021/22 Plan.



**Audit Opinion Reports 2021/22**

<b><u>Audit Opinion Reports: Title / (Corporate Directorate)/ (Executive Portfolio as at 31/3/22)</u></b>	<b><u>Status</u></b>	<b><u>Opinion Level</u></b>	<b><u>Future plans (where final report not yet issued)</u></b>
<b>Financial Systems</b>			
- Children's Social Care Payments System - Liquid Logic/ContrOCC (Children's Services)	Final report issued 28/4/21	Reasonable*	Completed
- Accounts Payable System (Finance and Systems)	Final report issued 10/9/21	Reasonable*	Completed
- Treasury Management (Finance and Systems)	Final report issued 28/9/21	Substantial	Completed
- Asset Investment Strategy follow-up (Authority-Wide)	Follow-up assessment completed August 2021	N/A	Completed
- Adult Social Care Direct Payments (Adults' Services)	Draft report produced	-	Final report to be issued in 2022/23.
- Adult Social Care Payments System (Adults' Services)	In progress	-	Final report to be issued in 2022/23
- Payroll (Strategy and Resources)	In progress	-	Final report to be issued in 2022/23
- Council Tax (Finance and Systems)	Planning commenced	-	Final report to be issued in 2022/23
- Budgetary Control (Authority-wide/Finance and Systems)	-	-	Included in 2022/23 Internal Audit Plan
- Accounts Receivable / Debt Recovery (Finance and Systems)	-	-	Future planned work to be confirmed in 2022/23
<b>Risk Management</b>			
- Business Continuity follow up review (Authority-Wide)	Final report issued 23/11/21	N/A	Completed
- Health and Safety (Strategy and Resources / Authority-wide)	-	-	(Further follow-up review later in 2022) Rescheduled to later in 2022/23
<b>Procurement /Contracts /Value for money</b>			
- Social Value in Procurement – follow-up (STAR authorities – Trafford lead) (Finance and Systems)	Final report issued 16/11/21	Substantial*	Completed

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<ul style="list-style-type: none"> <li>- Purchase cards follow-up audit (Finance and Systems)</li> <li>- In-Tend Contract Management System - Stockport Lead) (Finance and Systems)</li> </ul>	<p>Final report issued 10/9/21 -</p>	<p><b>Reasonable*</b> -</p>	<p>Completed Commencing Q1 2022/23</p>
<b>ICT Audit / Information Governance</b>			
<ul style="list-style-type: none"> <li>- ICT Service Management (Finance and Systems)</li> </ul>	<p>Final (Consultancy) report issued 27/1/22</p>	<p><b>N/A</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- ICT Asset Management (Finance and Systems)</li> <li>- Cyber Security (Finance and Systems / Authority-wide)</li> <li>- ICT Security in Schools (Finance and Systems / Children's Services)</li> </ul>	<p>Final report issued 7/3/22 Draft report shared with mgt. In progress</p>	<p><b>Reasonable</b> - -</p>	<p>Completed Final report to be issued in 2022/23 Final report to be issued in 2022/23</p>
<ul style="list-style-type: none"> <li>- Data breaches (Governance and Community Strategy/Authority-Wide)</li> </ul>	<p>Final report issued 1/2/22</p>	<p><b>Reasonable*</b></p>	<p>Completed</p>
<b>Schools</b>			
<ul style="list-style-type: none"> <li>12 School Audits (Children's Services)</li> </ul>			
<ul style="list-style-type: none"> <li>- Dawhulme Primary School</li> </ul>	<p>Final report issued 21/6/21</p>	<p><b>Substantial</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- Gorse Hill Primary School</li> </ul>	<p>Final report issued 13/7/21</p>	<p><b>Reasonable</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- Holy Family Catholic Primary School</li> </ul>	<p>Final report issued 22/10/21</p>	<p><b>Substantial</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- Kingsway Primary School</li> </ul>	<p>Final report issued 19/11/21</p>	<p><b>Reasonable</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- Moorlands Primary School</li> </ul>	<p>Final report issued 10/2/22</p>	<p><b>Reasonable</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- St. Alphonsus RC Primary School</li> </ul>	<p>Final report issued 15/2/22</p>	<p><b>Reasonable</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- Stretford Grammar</li> </ul>	<p>Draft report produced</p>	<p>-</p>	<p>Final report issued May 2022.</p>
<ul style="list-style-type: none"> <li>- St. Mary's C of E Primary, Sale</li> </ul>	<p>In progress</p>	<p>-</p>	<p>Final report issued May 2022</p>
<ul style="list-style-type: none"> <li>- St. Anne's C of E Primary</li> </ul>	<p>In progress</p>	<p>-</p>	<p>Final report issued June 2022</p>
<ul style="list-style-type: none"> <li>- Victoria Park Junior School</li> </ul>	<p>Planning commenced</p>	<p>-</p>	<p>Final report issued June 2022</p>
<ul style="list-style-type: none"> <li>- St. Michael's C of E Primary School</li> </ul>	<p>Planning commenced</p>	<p>-</p>	<p>Final report to be issued 2022/23</p>
<ul style="list-style-type: none"> <li>- Brentwood School</li> </ul>	<p>Planning commenced</p>	<p>-</p>	<p>Final report to be issued 2022/23</p>
<b>Assurance – Other Business Risks</b>			
<ul style="list-style-type: none"> <li>- Housing Waiting List (Place)</li> </ul>	<p>Final report issued 27/9/21</p>	<p><b>Substantial</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- Highways Inspection and Repairs (Place)</li> </ul>	<p>Final report issued 11/1/22</p>	<p><b>Substantial</b></p>	<p>Completed</p>
<ul style="list-style-type: none"> <li>- Let Estates (Place)</li> </ul>	<p>Final report issued 23/3/22</p>	<p><b>Limited</b></p>	<p>Completed – further follow-up in 2022/23</p>
<ul style="list-style-type: none"> <li>- Licensing (Place)</li> </ul>	<p>Draft report shared with mgt.</p>	<p>-</p>	<p>Final report issued May 2022</p>

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<ul style="list-style-type: none"> <li>- Home to School Transport (Children’s Services)</li> <li>- Blue Badges (Governance and Community Strategy)</li> <li>- Cleaning Services (Strategy and Resources)</li> <li>- Recruitment Processes (Strategy and Resources)</li> <li>- Special Educational Needs and Disability (Children’s Services)</li> <li>- Building Control (Place)</li> <li>- Outdoor Advertising (Place)</li> <li>- Safety at Sports Grounds (Place)</li> <li>- Aids and Adaptations (Adult Services)</li> </ul> <p>Added to 2021/22 Plan:</p> <ul style="list-style-type: none"> <li>-Supporting Families (Children’s Services)</li> <li>-Household Support Fund – Trafford Assist (Finance and Systems)</li> </ul> <p>Removed from 2021/22 Plan:</p> <ul style="list-style-type: none"> <li>- Section 106 Planning Agreements and Community Infrastructure Levy (Place)</li> <li>- Deprivation of Liberty Safeguards System (Adult Services)</li> </ul>	<p>In progress</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>Final report to be issued 2022/23</p> <p>Included in 2022/23 Internal Audit Plan</p> <p>Included in 2022/23 Internal Audit Plan</p> <p>Included in 2022/23 Internal Audit Plan</p> <p>Included in 2022/23 Internal Audit Plan</p> <p>Included in 2022/23 Internal Audit Plan</p> <p>Included in 2022/23 Internal Audit Plan</p> <p>Included in 2022/23 Internal Audit Plan</p> <p>Included in 2022/23 Internal Audit Plan</p> <p>Included in 2022/23 Internal Audit Plan</p>
<p>-</p>	<p>Final report issued 2/11/21</p> <p>In progress</p>	<p><b>N/A</b></p> <p>-</p>	<p>Completed</p> <p>Final report issued June 2022</p>

*\*Follow up review*