

**TRAFFORD COUNCIL**

**Report to:** Accounts and Audit Committee  
**Date:** 30 June 2015  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

**Report Title**

**Annual Internal Audit Report 2014/15**

**Summary**

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2014/15
- To provide a summary of the work of the Audit and Assurance Service during 2014/15.

**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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Extension: 1323

**Background Papers:**

None





**TRAFFORD**  
**COUNCIL**

## **Audit & Assurance Service**

# **Annual Internal Audit Report 2014/15**

**June 2015**

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## Part One - Overview of Work Completed and Main Conclusions

### SUMMARY AND OVERALL OPINION

The Annual Internal Audit Report sets out details of the work of the Audit and Assurance Service during 2014/15. 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 2014/15, 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 2014/15 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. Ongoing financial pressures for local authorities to achieve savings highlight the need for organisations to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised.

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 2014/15.

It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2015. Any further issues relating to work undertaken after that time are covered in future updates including quarterly reports to the Corporate Management Team and the Accounts and Audit Committee.

**Based on internal audit work undertaken for 2014/15, the Internal Audit Opinion is that for the majority of areas reviewed, the control environment is operating to a satisfactory standard. There were, however, a number of areas where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Follow up work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Areas identified for improvement will be further followed up in 2015/16.**

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 The purpose of the Annual Internal Audit Report is to detail the work of the Audit and Assurance Service during 2014/15. The Annual Audit Report provides an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2014/15.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013. PSIAS replaced the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom'. It is a requirement of PSIAS that an Annual Internal Audit Report is written and presented to the organisation.
- 1.3 The Audit and Assurance Service is within Financial Services in the Transformation and Resources Directorate. The Audit and Assurance Manager reports to the Director of Finance.
- 1.4 The establishment of the Audit and Assurance Service comprised 8.65 full time equivalent (FTE) staff at the start of 2014/15. During the year three officers left the Service, with one of these posts subsequently being deleted. Actual staff actually in post by the end of 2014/15 was 5.83FTE. The total establishment at year-end is 7.83FTE with a recruitment process in progress to fill the two vacancies.
- 1.5 In addition to in house resources, as in previous years, Salford Audit Services provided support in respect of elements of the ICT Internal Audit Plan.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.
- 1.7 The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2014/15. The Annual Governance Statement provides an assessment of governance arrangements across all areas of the Council, and identifies strengths and areas for development in those arrangements.

## **2. INTERNAL AUDIT OPINION FOR 2014/15**

2.1 Internal Audit is required to give an annual Opinion on the adequacy and effectiveness of the Council's internal control environment which encompasses internal control, risk management and governance. The opinion supports the Annual Governance Statement. The Opinion for 2014/15 is as follows.

**Based on internal audit work undertaken for 2014/15, the Internal Audit Opinion is that for the majority of areas reviewed, the control environment is operating to a satisfactory standard. There were, however, a number of areas where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Follow up work of areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Areas identified for improvement will be further followed up in 2015/16.**

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 contract monitoring (See Section 5 and Appendix C) . Of the 37 opinion reports issued during the year, 65 % of opinions stated that at least an adequate level of control was in place. 35% (13 reviews) highlighted a less than adequate opinion. (See Section 4.6).
- 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 (94%) have been agreed by management (See 3.3 and 7.3).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2014/15 and significant progress had been made in implementing recommendations. Where further significant progress is required, this has been reported and will be further followed up in 2015/16. (See 3.4, 7.4 and 7.5).
- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register through the year which has been reported to the Corporate Management Team and the Accounts and Audit Committee (See 5.2).
- 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 2014/15 in addressing significant governance issues highlighted in the previous Annual Governance Statement (See 5.1.4).

- The Audit and Assurance Service has continued to investigate suspected cases of fraud, theft and misuse of ICT facilities. Where applicable, associated review work has included reporting on recommended control improvements. (See 5.6).

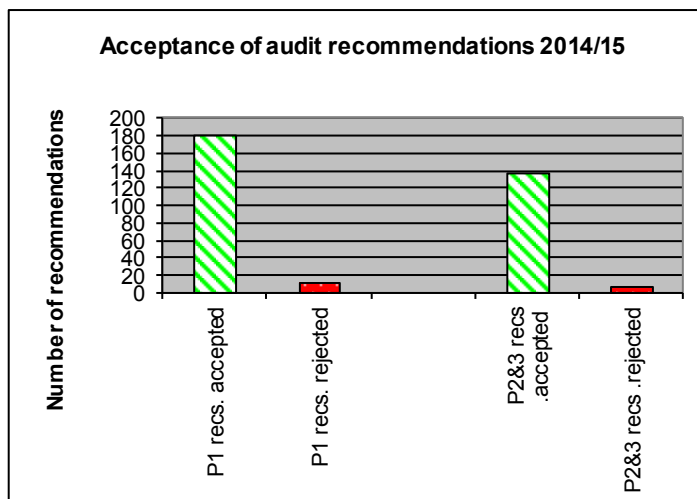
2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2014/15 is provided in this report.

### 3. IMPACT OF INTERNAL AUDIT WORK ON THE CONTROL ENVIRONMENT

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

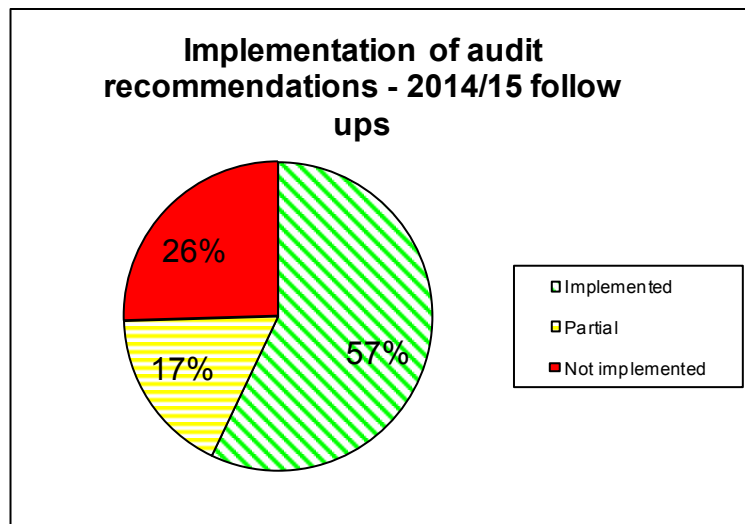
#### Coverage and Improvements in the Control Environment

- 3.2 Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage is broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.
- 3.3 Impact is reviewed through both the acceptance and implementation of recommendations. **94% of the recommendations made during the year were accepted** (as indicated in the chart below showing acceptance of recommendations – further details are shown in 7.1 to 7.3).





3.4 Follow-up work during the year has confirmed that, of the areas reviewed, **74% of recommendations have either been fully or partially implemented** (compared to 96% in the previous year - See 7.4 and 7.5 for further details). For areas followed up where significant improvement is still required, further follow up work will be undertaken. Revised opinions were given where appropriate after each follow-up review had been completed.



### Development and Assurance Provided Across the Council

3.5 In addition to undertaking internal audit reviews, the Audit and Assurance Service has promoted good practice and raised awareness of good governance through awareness raising activities such as through:

- Providing support to Governor Services in delivering two training presentations to Headteachers and two others to School Governors in respect of planning the scheduling of documents / policies to be reviewed by Governing Bodies through the year.
- Undertaking a school healthcheck visit to one school to provide guidance in addition to the standard audit process.
- Arranging for a reminder to be publicised to Council staff in respect of rules on responding to offers of Gifts and Hospitality.
- Updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance.

### Other Assurance Work

3.6. 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 takes a lead in a number of

activities such as risk management and anti-fraud and corruption. Time is also spent in the compilation of the Council's Annual Governance Statement; financially appraising firms wishing to do business with the Council, and contributing to project and working groups across the Council. Other work has included reviewing a number of grant claims through the year as required. The Service has also provided corporate support by undertaking email searches as part of responding to Data Subject Access Requests (although this role was transferred to the newly formed Information Governance team at the end of the year).

**Breadth of Stakeholders**

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

**4. WORK PLANNED AND COMPLETED**

4.1 Total time allocated to carry out the Operational Plan was originally set at 1225 days for 2014/15. 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 2014/15 Annual Audit Plan was 1060. Details of planned work against actual are discussed further in section 8.

4.2 Details of the internal audit reports issued in each quarter of 2014/15 are shown in Appendix C, providing a description of the review, audit opinion given and comments on the respective findings. The relevant Corporate Directorate for each audit review is also shown.

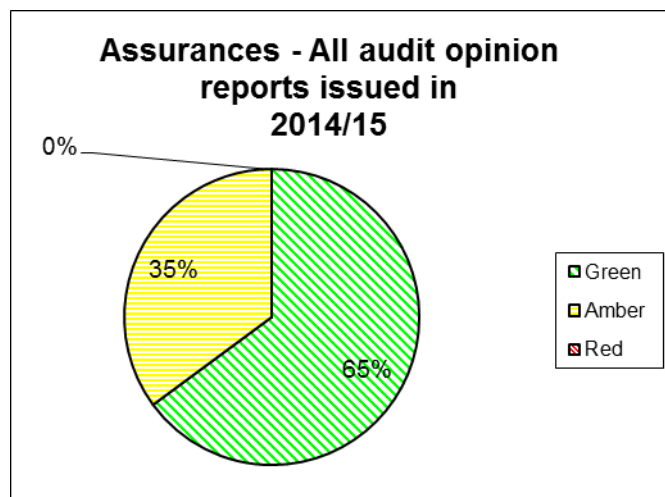
4.3 For each audit report issued, one of five possible Opinions is given as shown in the following table. The five opinions are also denoted as Red/Amber/Green:

<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

4.4 The chart below provides an analysis of audit opinions in respect of internal audit reports issued in 2014/15.

### All Reports issued in 2014/15 – (33 final and 4 draft reports)



4.5 Overall, the above shows that in 2014/15, an adequate or above (“Green”) level of control was found to be in place for 65% of the 37 reviews that took place where an opinion was given. (This compares to 80% of opinions in 2013/14).

4.6 35% of opinions were deemed as ‘Amber’ i.e. Low/Medium opinions (consisting of 13 reviews). These were as follows:

- Business Continuity Review (At the time of reporting, this report is at draft stage awaiting a management response). The Low/Medium opinion reflects the need to ensure that business continuity management is fully aligned with ICT Disaster Recovery Planning and respective plans are up to date. A final audit report will be produced to confirm findings and the agreed management response (see 5.9.3 and Appendix C).
- Six primary school audits where Low/Medium opinions were issued (See 5.4) and one primary school audit in relation to arrangements for collecting income from match-day parking. (See 5.8.3).
- A report was issued summarising themes arising in respect of ICT governance and security following visits to a number of schools. Required improvements at some schools

related to system back up arrangements and the secure transmission of data. Recommendations were made for the Council to consider in terms of the provision of guidance and support for schools to make improvements. (See 5.7.4 and Appendix C).

- A review was undertaken covering processes operated by the Schools Catering Service, including monitoring of expenditure, income and stocks. A number of recommendations made are being considered by management and will be incorporated in a final report to be issued in 2015/16. (See 5.9.3 and Appendix C).
- Taxi Licensing audit: Whilst adequate controls were in place for some aspects, a number of areas for improvement have been identified to reduce risks. This includes the need to ensure adequate checks and divisions of duties are in place in respect of processing applications and administering income received and banked. Further work is required to ensure adequate documented procedural guidance is in place for license applications, renewals and inspections. (See 5.9.3 and Appendix C).
- A follow up audit review was completed to assess controls in place for the administration of Section 17 monies, used to support children in need and their families. It was noted that some progress has been made in implementing previous audit recommendations made but a number of recommendations remained outstanding. This included ensuring the necessary approval is obtained and evidenced prior to making Section 17 payments. In addition, full reconciliations of the petty cash imprest accounts should take place on a regular basis to account for all monies held and spent. (See 5.9.3 and Appendix C).
- A Low/Medium Opinion was given for a review of the Softbox system used for billing and payment transactions for Adult Social Care. At the time of the audit, the software was in the process of being de-commissioned with the implementation of the replacement Liquid Logic adult social care system in December 2014, and its partner software, the ContrOCC financial package to be fully implemented during 2015. A number of recommendations made were intended to be taken into account in respect of implementation of the new systems. Areas for required improvement included debt monitoring processes. (See 5.3.5).

4.7 All the above reviews are included in the 2015/16 Internal Audit Plan either for completion of management action plans or for further follow up to assess progress in implementing recommendations.

4.8 It should be noted that there will be further follow up of other areas in addition to above where improvements have been identified. This includes ongoing input by Audit to the monitoring of progress in relation to the Budget Monitoring Action Plan and also review of cash handling controls further to investigations that were completed during the year related to this area.

## Risk Levels

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

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

Based on the above, of the 37 reports issued, the following risk levels are given:

### Risk Levels – Reports Issued 2014/15

Risk Level	Number of Audit Reviews (%)
High	1 review (3%)
Medium	5 reviews (13%)
Low	31 reviews (84%)

4.10 The table shows that **for the majority of reviews undertaken (84%) overall risks are considered low (compared to 90% in 2013/14)**. For these reviews, however, it is still important that agreed recommendations are implemented to ensure identified risks are addressed.

- 4.11 The High and Medium Risk reviews reflect some of the reviews listed in 4.6. In particular, given its Authority-wide context and Low/Medium opinion level, risks in relation to business continuity management are considered High. It is noted that an agreed Action Plan is to be produced and details will be reported in the quarterly Audit and Assurance updates in 2015/16.
- 4.12 Medium Risk areas reflect Service/Directorate wide audits where a Low/Medium opinion has been given (Taxi Licensing, IT Governance and Security in Schools, Schools Catering, Section 17 Payments (Children's Services) and the Softbox System review (Adult Services)).

## Part Two – Detailed Findings

### 5. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2014/15, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

#### 5.1 Governance

- 5.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of corporate governance in the Authority.
- 5.1.2 The Service co-ordinated the production of the 2013/14 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.
- 5.1.3 The 2013/14 Annual Governance Statement was approved in September 2014. In addition, as part of the corporate governance review work, the Service reviewed and updated the Council's Corporate Governance Code in accordance with the CIPFA / SOLACE guidance. The Code was approved by the Accounts and Audit Committee in June 2014.
- 5.1.4 Through 2014/15, 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 2013/14 Annual Governance Statement. These include developments in relation to the Budget Monitoring Action Plan, Locality Partnerships, Information Governance, the Reshaping Trafford programme and Public Service Reform. Audit and Assurance is currently co-ordinating the production of the 2014/15 Annual Governance Statement (the final version to be approved by September 2015).
- 5.1.5 As referred to in the 2015/16 Internal Audit Plan, in respect of partnership governance, audit work previously planned in relation to Section 75 partnership agreements has since been

reviewed and rescheduled in agreement with the Corporate Director, CFW. The Service will liaise with the CFW Directorate in 2015/16 to agree any work in this area.

## 5.2 **Risk Management**

5.2.1 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.

5.2.2 Reports detailing the risk register and key developments in the management of risks have been submitted to TPR and CMT. The Accounts and Audit Committee were provided with updates in November 2014 and March 2015.

## 5.3 **Fundamental Financial Systems**

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

5.3.2 The systems reviewed are shown under the category 'Financial System' in Appendix C which lists all reports actually issued during 2014/15.

5.3.3 High Opinion Levels were given in respect of reports issued during 2014/15 for the following systems: Council Tax, Treasury Management, Non Domestic Rates, and Accounts Receivable/Debt Recovery.

5.3.4 A Medium audit opinion was given for a review of the Accounts Payable processes. For the latter, it is acknowledged that there are developments being progressed to improve processes to ensure the EBP system is used effectively and efficiently across services.

5.3.5 A Low/Medium Opinion was given for a review of the Softbox system used for billing and payment transactions for Adult Social Care. The software was in the process of being de-commissioned with the implementation of the replacement Liquid Logic adult social care system in December 2014, and its partner software, the ContrOCC financial package to be fully implemented during 2015. A number of recommendations made were intended to be taken into account in respect of implementation of the new systems. Areas for required improvement included debt monitoring processes. Report recommendations have been accepted by management in an agreed action plan and issues will be followed up as part of internal audit reviews of the new systems in place in 2015/16.

5.3.6 At the year-end, work was in progress in respect of a number of reviews including Payroll, Income Control, Works Management and Let Estates. Work in respect of a review of the Benefits System will commence in quarter two of 2015/16. Reports issued through 2015 will



be detailed in the quarterly Audit update reports to go to CMT and the Accounts and Audit Committee. Key findings from this work in addition to External Audit review work in respect of the 2014/15 financial statements will, where applicable, be reflected in the final version of the Council's 2014/15 Annual Governance Statement.

5.3.7 As reported in other updates to CMT and the Accounts and Audit Committee, Audit and Assurance has provided input during the year to the Council's Budget Monitoring Investigation and subsequent monitoring of the Action Plan. The review findings resulted in a number of recommendations for improvement in accountability, procedures and reporting arrangements both specifically within Adult Services and also across the Council. Reports have been issued through 2014/15 to highlight Action Plan progress being made. Details of developments on this will also be reflected in the Council's Annual Governance Statement.

## 5.4 **Schools**

5.4.1 Summary details of each school audit are in Appendix C, indicated by the "Schools" Category. Areas covered in audit reviews include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; school fund and ICT security.

5.4.2 Within the Internal Audit Plan it was planned that at least 14 school audit opinion reports would be issued. Thirteen final school audit reports were issued in 2014/15 (eight primary schools, four secondary schools and one special school). Of the 13 final reports, eight were at least adequate opinions (Medium or above). For the other five reports issued, these were allocated opinions of Low/Medium. All five reviews have been included in the 2015/16 Internal Audit Plan to undertake further follow up work to assess progress in implementing recommendations made. One draft report was also issued (in respect of a primary school) where a Low/Medium opinion was allocated. The final report will be issued in 2015/16 to confirm the opinion and include the management response to the recommendations.

5.4.3 As part of the Schools Financial Value Standard, 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 the Council is working to ensure SFVS requirements are being met for 2014/15. Most schools have submitted a self- assessment for the year as required and any outstanding responses are currently being followed up. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking future school audits.

5.4.4 Audit and Assurance continued to liaise with the Schools Finance team and the Children, Families and Wellbeing Directorate to identify and provide advice on areas for development for schools to address. The Service provided support to Governor Services in delivering two training presentations to Headteachers and two others to School Governors in respect of planning the scheduling of documents / policies to be reviewed by Governing Bodies during the year.

5.4.5 In addition to the work above, reference is also made in section 5.7 to further schools related audit work completed in relation to reviews of ICT controls.

## 5.5 **Establishments**

5.5.1 A number of Council establishments are included in the Annual Audit Plan to ensure there is broad coverage of controls, at an operational level, across the Council. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas specific to the establishments under review.

5.5.2 Given service changes, which included the closure of a number of establishments across the Council, plans in relation to establishment audits were reviewed and amended. Planned reviews of Children's centres did not take place given the changes in this area.

5.5.3 An audit review was undertaken of Pathways Day Centre, services which include the provision of support for people with learning disabilities. Overall controls in place were found to be adequate and effective. Some recommendations were made in the draft report including ensuring up to date business continuity arrangements are in place. A final report with an agreed management response will be issued in 2015.

5.5.4 Follow- up progress updates were received in respect of two audits completed in the previous year. These were for Old Hall Road Residential Unit (CFW – Children) and Ascot House Assessment Centre (CFW – Adults). In respect of these reviews the majority of recommendations had been implemented with a small number in progress.

5.5.5 An audit of Sale Waterside Theatre was in progress at the time of reporting and findings will be reported as part of 2015/16 Audit and Assurance Service updates.

## 5.6 **Anti Fraud and Corruption**

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

### **Investigations**

5.6.2 During 2014/15, Audit and Assurance staff have contributed to work in relation to eight new investigations.

- 5.6.3 Three of these investigations involved Audit providing support reviewing allegations of misconduct, two including the misuse of ICT:
- For one of these investigations, no evidence was found of ICT misuse within the period under review.
  - In the other instance in respect of ICT, findings were shared with management to support a wider investigation. In this instance, the outcome of the subsequent disciplinary process was the dismissal of one officer.
  - For the third case, this involved supporting management in reviewing an instance of non-adherence to required record keeping and monitoring procedures which resulted in a final written warning.
- 5.6.4 Two investigations involved providing support in reviewing discrepancies in relation to cash handling. For the first, this included discussions with staff, reviewing security procedures and supporting records in relation to income collected and cash banked. Audit reported to management to confirm areas of control weakness in relation to cash security with a number of recommendations made. Procedures and responsibilities within the relevant service area have been reviewed with revised arrangements put in place.
- 5.6.5 The second instance relates to concerns raised in relation to discrepancies between till records to actual cash collected and amounts banked. In order to support an on-going investigation, Audit reviewed relevant records and subsequently reported a list of recommended improvements in relation to cash handling. Audit also provided support to investigating officers in confirming reported discrepancies as part of the associated disciplinary investigation process which resulted in the dismissal of an employee.
- 5.6.6 Audit provided support during 2014 to the Council's Budget Monitoring investigation and has contributed to the monitoring of the subsequent Budget Monitoring Action Plan in 2014/15, details of which have been reported to the Accounts and Audit Committee.

### **National Fraud Initiative**

- 5.6.7 The Audit and Assurance Service continues to co-ordinate activity relating to the National Fraud Initiative (NFI). NFI is a nationwide data matching exercise, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse.
- 5.6.8 Data for the 2014/15 NFI exercise was submitted to the Audit Commission during October and November 2014. The Commission released all the dataset matches by the end of January 2015. (From April 2015, following the closure of the Audit

Commission, the Cabinet Office assumed responsibility for managing the NFI process).

- 5.6.9 Audit and Assurance is liaising with relevant services to ensure high priority matches are followed up through the year. Details of progress will be reported in future updates to the Accounts and Audit Committee. It should be noted that total overpayments being recovered as a result of the previous NFI exercise which commenced in 2012/13 amounted to £208,204. There is also an ongoing weekly reduction in payments of £1,219, approximately £63,388 per annum. All fraudulent overpayments identified from the exercise related to benefit fraud (15 in total).

### **Awareness Raising**

- 5.6.10 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.
- 5.6.11 The Service has drafted updates to the Council's Whistleblowing Policy and is liaising with Legal Services to agree any proposed amendments. An updated version will be issued in due course.

### **5.7 ICT Audit / Information Governance**

- 5.7.1 In this area, work has included audit reviews and investigations into the misuse of ICT facilities to ensure high standards of conduct are in place.
- 5.7.2 A review was completed which found that the IT control aspects of the General Ledger were operating satisfactorily to secure the correct posting of transactions. A High opinion was given but with some recommendations made including the need to ensure access rights belonging to leavers is removed promptly.
- 5.7.3 A corporate review of Information Governance arrangements was undertaken in 2014/15 with particular emphasis on meeting national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. A Low/Medium audit opinion was given in the previous review of this area reflecting the work remaining to be completed in order to gain the necessary accreditations. This was followed up in 2014/15 during which time PSN accreditation had been gained and a revised opinion of Medium/High was given.
- 5.7.4 A review was originally undertaken in 2013/14 to provide assurance on the arrangements for ICT Security in schools. Five schools of various types and with different models of service provision were reviewed and an individual report was issued to each school. A corporate report combining the findings and drawing out common themes was issued in 2014/15 with a Low/Medium audit opinion. This reflected common findings such as insecure transmission of data and poor environmental controls in some schools server rooms. An Action Plan was co-ordinated by IT Services and this review is to be followed up in 2015/16.

- 5.7.5 A follow up of ICT related controls in respect of the electronic children's care and case recording systems, ICS and e-CAF was followed up again during the year. Good progress continues to be made and all recommendations are either implemented or ongoing.
- 5.7.6 There were two investigations into the suspected misuse of ICT facilities which are referred to in section 5.6.3.
- 5.7.7 A number of planned pieces of work have been deferred until 2015/16 at the request of ICT. A follow up review of the Data Centre audit will be undertaken in 2015 and a review of Change Management processes later in the year.

## **5.8 Procurement / Contracts**

- 5.8.1 During the course of the year, the Council's Strategic Procurement Service underwent transition to become a shared service with Stockport and Rochdale Councils, (STaR). During the year, the Audit and Assurance Service liaised with the Director of STaR and Internal Audit sections of the partner authorities to discuss the role of Audit and start to agree future work plans. A programme of work for 2015/16 relating to the shared service was agreed by each of the three Authorities and work completed in 2015 will be reported in the quarterly updates.
- 5.8.2 As part of developments in relation to STaR, Audit provided input to the review of the Contract Procedure rules (Harmonised Contract Procedure Rules for the three Authorities are to be issued in 2015/16).
- 5.8.3 As part of following up previous review work, a number of visits have been made to individual schools to review contract arrangements in respect of services provided to manage parking at the schools for major local sporting events in Old Trafford. Three out of four schools were found to have satisfactory arrangements in place to monitor their contract but the fourth was given a Low/Medium Audit Opinion. This related to the need to ensure prompt invoicing of amounts due from the contractor and ensuring clearly established arrangements are in place, agreed by the Governing Body, for approving any variations to the contract. All recommendations made have been accepted and will be followed up in 2015/16.
- 5.8.4 In respect of Public Health, last year's audit review of the Sexual Health contract was finalised early in the year with a High Level audit opinion.
- 5.8.5 The service continued to carry out the financial vetting of contractors. Given the significant amount of time spent on this activity, it is shown separately in the analysis of time spent in the Audit Plan in Appendix B.

## 5.9 **Business Risk Reviews**

5.9.1 This comprises work that does not fall into one of the categories referred to above but represents areas of business risk. These include reviews of specific areas within individual Directorates.

5.9.2 There were eight audit reports issued in this category (six of which were final reports with two drafts as at 31 March 2015). 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 four of the eight reports issued and less than adequate opinions (Low/Medium) were given for four reports. The reviews completed to final or draft report stage as at 31<sup>st</sup> March 2015 were:

### **Final reports:**

- Section 106 Planning Agreements (EGEI &T&R) : Medium Opinion
- Street trading (EGEI): Medium opinion.
- Taxi Licensing (EGEI) : Low/Medium Opinion
- Energy Management (EGEI) : Medium Opinion
- Section 17 Payments (Children's Act 1989) (CFW – Children) : Low/Medium Opinion
- Music Service (CFW – Children) : Medium/High Opinion

### **Draft report:**

- Business Continuity (T&R / Authority-wide) : Low/Medium Opinion
- Schools Catering (EGEI): Low/Medium Opinion.

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

- For the two final reports issued (Taxi Licensing and Section 17 Payments), an agreed action plan is in place to implement the audit recommendations and follow- up audit reviews are included in the 2015/16 Internal Audit Plan.
- For the two draft reports issued (Business Continuity and Schools Catering) an action plan is being considered and agreed actions will be included in final audit reports to be issued in 2015/16.

5.9.4 Review work was also undertaken and guidance provided in respect of financial procedures in relation to catering at Trafford Town Hall. Findings and recommendations made will be followed up as part of further work in 2015/16.

5.9.5 At the time of the issue of this Annual Report, a planned review of Planning Control was in progress and a report will be issued which will be reflected in future quarterly Audit and Assurance updates.

5.9.6 As stated in the 2015/16 Annual Internal Audit Plan report issued in March 2015, a number of reviews originally planned for 2014/15 were rescheduled due to Audit resource capacity. These are as follows:

- Building Control (EGEI )
- Trafford Youth Service barge project (CFW - Children)
- Registrar's Income (T&R).

## **5.10 Project Groups**

5.10.1 The Audit and Assurance Service has contributed to a number of project / working groups across the Authority.

5.10.2 This has included providing input to the Project Board for the implementation of the Adult Social Care software package 'Liquid Logic' and 'ContrOCC' its partner financial package.

5.10.3 Internal Audit has continued to be represented at the Information Security and Governance Board.

5.10.4 Audit has also supported the development of an AGMA wide shared audit programme for the Troubled Families (Stronger Families) government initiative. Audit has an ongoing role in reviewing funding claims made as part of the initiative.

## **6. ANNUAL GOVERNANCE STATEMENT**

6.1 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations (The 2015 Regulations replacing the previous 2011 Regulations with effect from 1 April 2015). Councils are required to publish, accompanying the annual accounts, a statement on the standard of governance, including internal controls in operation at the Council. The Statement has to be signed by the Leader and the Chief Executive.

6.2 Audit and Assurance work in the year included co-ordinating the compilation of the Authority's Annual Governance Statement for the previous year, i.e. 2013/14, and preparation for the production of the 2014/15 Annual Governance Statement. The Annual Governance Statement draws on evidence from various sources including:

- The work of Internal Audit including the Internal Audit Opinion in the Annual Audit Report.
- The work of External Audit.
- Assurance from Directors and senior managers.
- A corporate review of governance arrangements in the Council.
- Risk management arrangements.

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

7.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :

- Acceptance of recommendations
- Implementation of them.

7.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

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

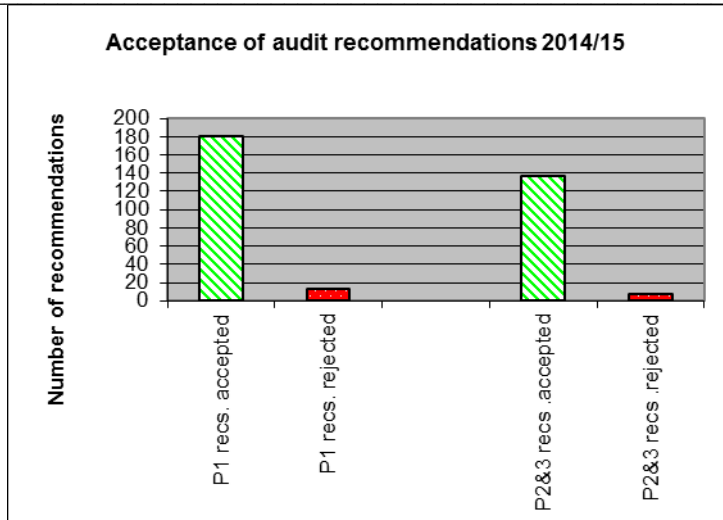
**Priority 2**            These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

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

### **Acceptance of Recommendations**

7.3 The table below shows levels of acceptance of recommendations made during 2014/15.

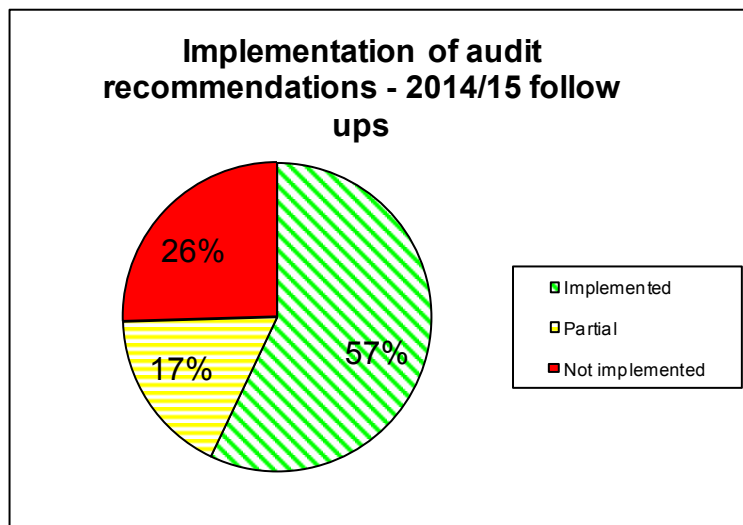




The majority of audit recommendations made during the year were accepted. Of the 194 Priority 1 recommendations made, 181 (93%) were accepted (service target is 95%). The acceptance rate for priority 2 or 3 recommendations was 95%, i.e. 137 of the 144 made. Overall, 94% of all recommendations were accepted (compared to 96% in 2013/14).

**Implementation of audit recommendations**

7.4 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self- assessment. An analysis of the percentage of recommendations implemented at the time of the respective follow up audit reviews is shown in the chart below.



7.5 Of a total of 212 recommendations followed-up during 2014/15, it was reported that 121 (57%) had been implemented at the time of the follow up audit reviews (this compares to

79% reported in the previous year). A further 37 (17%) have been partially implemented or are in progress (17% also reported in the previous year). A higher percentage of recommendations have not been implemented (54 recommendations - 26%) compared to the previous year (4%). Of the 54 recommendations not implemented, 32 relate to follow up reviews at three schools where Low/Medium Opinions have been given and will be subject to further follow up. In Appendix C, \* denotes against the Audit opinion that the review is specifically a follow up audit.

### **Client feedback**

7.6 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.

7.7 **The overall rating was good or very good for 96% of the responses (93% in 2013/14) against a service target of 80%.** An analysis of the responses is shown in Appendix D.

7.8 The analyses of recommendations, follow-ups and client responses demonstrates that there continues to be a positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

### **8. PERFORMANCE AGAINST AUDIT PLAN**

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

8.2 An analysis of planned time against actual work in 2014/15 is shown in appendix B. This shows that a total of 1225 days were allocated to complete the 2013/14 Annual Plan (with a further 100 days contingency). Actual time spent delivering the Plan was 1060 days.

8.3 Fewer days were completed than planned, largely due to the loss of audit days following the departure of Audit staff during the course of the year. Three staff left the Service during the course of the year. In respect of the posts, one was deleted to contribute to Council savings following the departure of one officer in September 2014. Two vacancies remained at the year-end and a recruitment process commenced in early 2015/16 which is in progress.

8.4 In addition to the loss of operational audit days relating to individual staff, these officers also provided other support to the Service including Business Support, development of audit systems and corporate duties such as conducting email searches to fulfil Data Subject Access Requests, issuing of controlled stationery etc. In turn, remaining audit staff fulfilled these roles following the staff departures which also resulted in the loss of audit days. A further update on staffing resources will be provided in the 2015/16 quarterly updates

8.5 The majority of reviews have been completed as planned or are in progress at the year-end providing coverage across all the different areas set out in the Audit Plan. As indicated in Section 5, the commencement of some reviews has been delayed until 2015/16 either due to capacity (see 5.9.6) or delayed in agreement with the respective Services (see 5.1.5 and 5.7.7). Some reviews were also cancelled following changes to Council services in light of budget savings made (See 5.5.2). The 2015/16 Internal Audit Plan reported to CMT and the Accounts and Audit Committee in March 2015 took account of reviews carried forward from 2014/15.

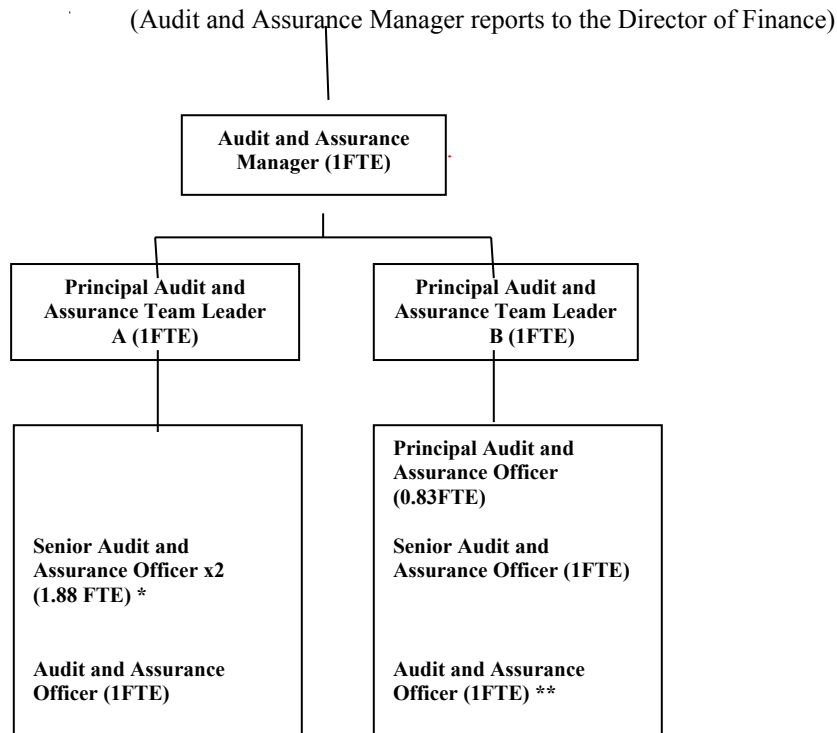
## **9. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 9.1 It is a requirement that the Annual Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013.
- 9.2. The Standards incorporate a number of aspects including:
- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
  - Purpose, authority and responsibility of Internal Audit.
  - Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).
- 9.3 During the year, the Service completed a self- assessment exercise to review processes in place against details set out in PSIAS. The Service undertakes its work, generally in conformance with the Standards. One of the key actions currently outstanding is the requirement for an external assessment of Internal Audit to be undertaken, at least every five years which came into effect from April 2013. Audit and Assurance is working with other Internal Audit functions within the North West Heads of Internal Audit Group (and also in consultation with CIPFA) to agree a standard assessment process which will involve peer review. The aim is for an external assessment to be undertaken by 2016 which would meet the requirements of PSIAS.
- 9.4 Based on the self-assessment undertaken by Audit and Assurance, a number of actions are planned including further updating of the Internal Audit Manual of Procedures and supporting planning documentation.
- 9.5 It is also noted that there are a 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. Further review of such areas will be considered in liaison with other Local Authorities and further considered as part of the External Assessment process.

**2014/15 STRUCTURE**

**APPENDIX A**

**AUDIT AND ASSURANCE SERVICE**



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

- A - ICT; Fundamental Financial Systems
- B - Governance; Risk Management, Schools Audit

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

\* Note: One Senior Audit and Assurance Officer left the Council at the end of September 2014 and the post was subsequently deleted as part of savings made for the 2015/16 budget. The other Senior Audit and Assurance Officer left the Council at the end of January 2015. A recruitment process is in progress with the aim of filling the vacancy in 2015.

\*\* Note: the Audit and Assurance Officer left the Service at the end of February 2015. A recruitment process is in progress with the aim of filling the vacancy in 2015.

**APPENDIX B**

**2014/15 OPERATIONAL PLAN: PLANNED WORK AND ACTUAL DAYS SPENT**

	<u>Days Planned</u>	<u>Actual Days</u>
<b>Fundamental Financial Systems</b> Completion of fundamental financial systems reviews.	230	263
<b>Governance / Annual Governance Statement (AGS)</b> Corporate / partnership governance review work and collation of supporting evidence and production of the 2013/14 AGS. Preparation for production of the 2014/15 AGS.	80	40
<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.	30	21
<b>Anti-Fraud and Corruption</b> Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	163
<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.	70	31
<b>ICT Audit</b> Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	90	70
<b>Schools</b> School Audit reviews. Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	150
<b>Establishments</b> Reviewing governance and control arrangements across a range of establishments.	70	41
<b>Other Key Business Risks</b> Selected on the basis of risk from a number of sources including risk registers, senior managers' recommendations and internal audit risk assessments. This will include reviews relating to individual Directorates and Authority-wide reviews.	170	150

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	<u>Days Planned</u>	<u>Actual Days</u>
<b>Service Advice / Projects</b> General advice across all services. Support / advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	100	76
<b>Financial Appraisals</b> Financial Assessments of contractors and potential providers.	35	55
<b>Total Allocated Days</b>	<b>1225 *</b>	<b>1060</b>

\* Note : A further 100 days was allocated in the Plan as a contingency.

**ALL AUDIT REPORTS ISSUED IN 2014/15 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 2 Reports:**

<b>Street Trading (EGEI) / Environment and Operations</b>	<b>Medium (GREEN)</b> (23/4/14) <i>Business Risks</i>	Testing revealed an adequate level of compliance with controls covering many, but not all business risks. All recommendations made have been accepted and an agreed action plan is in place. Recommendations included ensuring all relevant information and guidance available on the Council website for street traders is up to date.
<b>Public Health : Sexual Health contract (CFW) /</b>	<b>High (GREEN)</b> (11/4/14)	The review identified a high level of compliance and assurance within the tender process. At the time of the main audit review work, the contract had been operational for less than six months. Arrangements around transferring

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<b>Adult Social Services and Community Wellbeing</b>	<b>Procurement/VFM</b>	staff and other action points were taking place.
<b>Level 1 Reports :</b>		
<b>St. Antony's Catholic College (CFW) / (Children's Services)</b>	<b>Medium/High (GREEN)</b> (9/4/14) <i>School</i>	Overall, a good standard of control was found to be in place. Some recommendations were made including the Governing Body approval of a number of school policies. All recommendations made have been accepted and an agreed action plan in place.
<b>Kingsway Primary School (CFW) / (Children's Services)</b>	<b>Medium (GREEN)</b> (30/4/14) <i>School</i>	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. There is a need to improve the procedures and controls in relation to some aspects including inventory maintenance and the maintenance of the school fund records, reflected in a number of agreed recommendations.
<b>Holy Family Catholic Primary School (CFW) / (Children's Services)</b>	<b>Medium (GREEN)</b> (20/6/14) <i>School</i>	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. A number of recommendations were agreed including those relating to procedures for the ordering and payment for goods and services, and procedures in respect of the collection and banking of income to ensure adequate audit trails are in place.
<b>Stretford Grammar School (CFW) / (Children's Services)</b>	<b>Medium/High (GREEN)</b> (20/6/14) <i>School</i>	Overall, a good standard of control was found to be in place. A small number of recommendations were made, including the need to ensure an up to date inventory of equipment is in place which is subject to a regular independent check.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) / (Issued) / Category	COMMENTS
<b>Final Reports – Quarter 2</b>		
<b>Level 4 Reports :</b>		
<b>Accounts Payable 2013/14 (T&amp;R) / (Finance)</b>	<b>Medium (GREEN)</b> (1/8/14) <i>Financial System</i>	The majority of central controls reviewed surrounding the accounts payable process have continued to be maintained. There are a number of developments being progressed to improve processes to ensure the EBP system is used effectively and efficiently across services.
<b>Accounts Receivable and Debt Recovery 2013/14 (T&amp;R) / (Finance)</b>	<b>High (GREEN)</b> (23/9/14) <i>Financial System</i>	Key controls surrounding the Accounts Receivable and Debt Recovery process have continued to be maintained. The Revenues and Benefits Service are developing a plan to enhance existing processes through support to Services across the Council in respect of guidance and management information provided.
<b>Level 2 Reports:</b>		
<b>Match day parking at Schools (CFW) / (Children's Services)</b>	<b>(3 x GREEN)</b> <b>(3 schools - 18/7/14)</b> <i>Procurement/</i>	Satisfactory controls were found to be in place relating to contract management arrangements, including the monitoring of income received from contractors, in respect of match day parking at three of the four schools reviewed - Victoria Park Junior School, Stretford High School and Gorse Hill Primary School. (See



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<i>Contracts/ /VFM</i>	Quarter 3 final reports section in respect of the audit review of St. Ann's RC Primary School).	
<b>Level 1 Reports:</b>		
St. Michael's C of E Primary School (CFW) / (Children's Services)	<b>Low/Medium (AMBER)</b> (21/8/14) <i>School</i>	Recommendations have been made across a number of areas including the administration of lettings arrangements, collection and banking of income and the administration of the school fund. It is noted that the school has completed an action plan to address recommendations made. A follow up audit will take place in 2015/16.
Lostock College (CFW) / (Children's Services)	<b>Medium (GREEN)</b> (1/9/14) <i>School</i>	Records were generally maintained to a good standard although a number of areas for control improvement were identified. These included recommendations relating to asset security and also in introducing a division of duties within certain processes including income collection and banking.
St. Anne's C of E Primary School (CFW) / (Children's Services)	<b>Low/Medium (AMBER)</b> (1/9/14) <i>School</i>	The audit found some areas of good practice, but there is a need to improve controls for a number of areas to ensure associated risks are managed effectively. The remits of a number of Governing Body Committees need to be approved. A number of recommendations were made in relation to the administration of the School Fund. A follow up audit will take place in 2015/16.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) / (Issued) / Category	COMMENTS
<b>Final Reports – Quarter 3</b>		
<b>Level 4 Reports :</b>		
Treasury Management 2013/14 (T&R) / (Finance)	<b>High (GREEN)</b> (9/12/14) <i>Financial System</i>	A high level of assurance has been maintained with ongoing compliance with the established controls in place.
Non-Domestic Rates 2013/14 (T&R) / (Finance)	<b>High (GREEN)</b> (17/12/14) <i>Financial System</i>	A high level of assurance has been maintained with ongoing compliance with the established controls in place.
Section 106 Planning Agreements (EGEI & T&R) / (Economic Growth and Planning)	<b>Medium (GREEN)</b> (23/12/14) * <i>Business Risks</i>	The majority of recommendations made in the previous review reported in October 2013 have been implemented and the opinion has been revised to "Medium" having previously been "Low". The report issued highlighted there was some further work required to implement a number of remaining recommendations. There is a need to increase activity in relation to undertaking site visits to monitor progress of relevant developments. The new IDOX system recently introduced will help to facilitate improved monitoring of planning developments to identify relevant trigger points. The agreed report action plan also states that revised financial reporting processes are to be introduced.

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<b>Level 2 Reports :</b>		
<b>Taxi licensing (EGEI) / (Environment and Operations)</b>	<b>Low/Medium (AMBER)</b> (12/11/14) <i>Business Risks</i>	An overall opinion of Low / Medium assurance is given reflecting the findings that, whilst a number of adequate procedures and controls are in place, a number of areas for improvement have been identified to reduce risks. This includes the need to ensure adequate checks and divisions of duties are in place in respect of processing applications and administering income received and banked. Further work is required to ensure adequate documented procedural guidance is in place for license applications, renewals and inspections. A follow up audit will be undertaken in 2015/16 to assess progress against the agreed action plan.
<b>Section 17 payments – Children Act 1989 (CFW) / (Children’s Services)</b>	<b>Low/Medium (AMBER)</b> (23/10/14)* <i>Business Risks</i>	The objective of the review was to assess controls in place for the administration of Section 17 monies, used to support children in need and their families. It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. In particular, it is important that there are adequate procedures 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. An action plan has been agreed to address all recommendations made.
<b>Music Service (CFW) / (Children’s Services)</b>	<b>Medium/High (GREEN)</b> (22/12/14) <i>Business Risks</i>	Overall, a good standard of control was found to be in place. It is noted that health and safety processes are being reviewed following the recent move to different premises.
<b>Level 1 Reports:</b>		
<b>Match day parking at Schools – St. Ann’s RC Primary School (CFW) / (Children’s Services)</b>	<b>Low/Medium (1 x AMBER)</b> (1 school - (7/11/14) <i>Procurement /Contracts/ /VFM</i>	In respect of the review of contract management arrangements, including the monitoring of income received from contractors for match day parking at four schools reviewed, areas for improvement were identified at one school (St. Ann’s RC Primary School). This related to the need to ensure prompt invoicing of amounts due from the contractor and ensuring clearly established arrangements are in place, agreed by the Governing Body, for approving any variations to the contract. All recommendations made have been accepted and will be followed up in 2015/16.
<b>St. Monica’s RC Primary School (CFW) / (Children’s Services)</b>	<b>Medium (GREEN)</b> (11/11/14) <i>School</i>	Records were generally maintained to a good standard. Some recommendations were made to make improvements in a number of areas. These include recommendations for the management of assets including the need to bring the inventory of equipment up to date, greater use of security-marking and maintaining a register of equipment taken off site.
<b>St. Hilda’s C of E Primary School (CFW) / (Children’s Services)</b>	<b>Low/Medium (AMBER)</b> (27/11/14) * <i>School</i>	It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. These include recommendations in relation to ordering and payment processes, and ensuring an adequate division of duties in respect of income collection and banking. Further follow up of progress will be undertaken in 2015/16.
<b>Oldfield Brow Primary School (CFW) / (Children’s Services)</b>	<b>Low/Medium (AMBER) *</b> (22/12/14) <i>School</i>	It is noted that some progress has been made in implementing previous audit recommendations made and an action plan was agreed to implement a number of areas outstanding. There are a number of recommendations that remain outstanding. These include recommendations in relation to ensuring an adequate division of duties in the ordering, delivery and payment process

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plus introducing adequate independent checks in the banking of income.  
Further follow up of progress will be undertaken in 2015/16.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
<b>Final Reports – Quarter 4</b>		
<b>Level 4 Reports :</b>		
<b>General Ledger ICT review (T&amp;R)/ (T&amp;R &amp; Finance)</b>	<b>High (GREEN)</b> (26/2/15) <i>ICT Audit</i>	Overall, a good level of control was found to be in place. In general, satisfactory controls are in place for the management of access to the Council's General Ledger SAP system although it was identified that some improvements were required to ensure that leavers have their SAP access removed promptly.
<b>Council tax 2013/14 (T&amp;R) / (Finance)</b>	<b>High (GREEN)</b> (27/2/15) <i>Financial System</i>	A high level of assurance has been maintained based on the controls reviewed. A small number of recommendations were made in relation to maintaining sufficient audit trails to support decisions being made.
<b>Information Governance (including Public Sector Network) (T&amp;R) / (Transformation &amp; Resources)</b>	<b>Medium/High (GREEN)</b> (30/3/15) <i>ICT Audit</i>	A Low/Medium opinion was previously given reflecting the position in respect of work needed to meet national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. All high risk areas that may have resulted in PSN service withdrawal and N3 accreditation failure were addressed. The PSN and N3 accreditations were achieved and the improvements to the information governance framework, strategy and policies in progress.
<b>Energy Management (EGEI) / (Economic Growth and Planning)</b>	<b>Medium (GREEN)</b> (3/2/15) <i>Business Risks</i>	The majority of controls surrounding the energy management function have been maintained to a satisfactory standard in the areas reviewed. Recommendations have been made to raise awareness and provide further guidance to ensure that staff can support Council objectives in reducing energy costs.
<b>Level 3 Reports:</b>		
<b>Softbox system (Adult Social Care) (CFW) / (Adult Social Services and Community Wellbeing)</b>	<b>Low/Medium (AMBER)</b> (5/3/15) <i>Financial System</i>	The Softbox system is used within Adult Social Care to record financial assessments and calculate and invoice for any contributions due from clients. The software is also used to calculate and verify the accuracy of provider payments, which are then processed through SAP Accounts Payable. The Softbox system is being replaced during the year through the implementation of the Liquid Logic software and supporting ContrOCC module. A number of recommendations made were intended to be taken into account in respect of implementation of the new systems. Areas for required improvement included debt monitoring processes. Report recommendations have been accepted by management in an agreed action plan and issues will be followed up as part of internal audit reviews of the new systems in place in 2015/16.
<b>Level 2 Reports:</b>		
<b>IT Governance and</b>	<b>Low/Medium</b>	The review findings were based on reviews of five schools. The review found

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<b>Security in Schools (CFW and T&amp;R) / (Children's Services and Transformation and Resources)</b>	<b>(AMBER)</b> (13/2/15) <i>ICT Audit</i>	there are some effective controls in place to mitigate key risks; however, there are areas where the introduction of new controls or improvement to existing controls is required. These include required improvements identified at some schools in respect of system back up arrangements and in the secure transmission of data. Recommendations were made for the Council to consider in terms of the provision of guidance and support for schools to make improvements. It is noted that an Information Governance service has recently been made available to schools by the Council to purchase a range of support. Recommendations made are being taken into account in respect of future advice provided to schools which will be followed up by Audit in 2015/16.
<b><u>Level 1 Reports:</u></b>		
<b>Cloverlea Primary School (CFW) / (Children's Services)</b>	<b>Low/Medium (AMBER)</b> (23/1/15) <i>School</i>	Records across a number of areas were generally maintained to a good standard. There are, however, a number of areas identified for improving controls particularly to ensure adequate internal checks and divisions of duties are in place. Progress against the agreed action plan will be followed up by Internal Audit in 2015/16.
<b>Stretford High School (CFW) / (Children's Services)</b>	<b>Medium* (GREEN)</b> (27/1/15) <i>School</i>	The majority of previous recommendations made were found to have been implemented and an action plan was agreed to complete outstanding recommendations. The previous "Low/Medium" opinion was revised to "Medium".
<b>Longford Park School (CFW) / (Children's Services)</b>	<b>Medium/High (GREEN)</b> (13/3/15) <i>School</i>	Overall, a good standard of control was found to be in place. Some recommendations were made, some of which related to introducing internal checks to improve existing controls such as spot checks of the petty cash records and a periodic independent check of the inventory.

<b>REPORT NAME (DIRECTORATE)</b>	<b>OPINION (R/A/G) (Issued)</b>	<b>COMMENTS</b>
<b><u>Draft Reports</u></b>		
<b><u>Level 4 Reports:</u></b>		
<b>Business Continuity (T&amp;R &amp; Authority-wide) (Transformation and Resources)</b>	<b>Low/Medium (AMBER)</b> (11/3/15) * <i>Business Risks</i>	The overall opinion level has remaining unchanged from the previous review. It is acknowledged that some progress has been made for the majority of recommendations with most of these implemented in part. Further work is required, however, to ensure corporate business continuity management is fully aligned with ICT Disaster Recovery Planning and respective plans are maintained up to date. There should be adequate testing of business continuity plans. A final audit report will be produced to confirm findings and include an agreed action plan.
<b><u>Level 2 Reports:</u></b>		
<b>Schools Catering (EGEI) / (Environment and Operations)</b>	<b>Low/Medium (AMBER)</b> (23/12/14) <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 made are being considered by management and will be incorporated in a final report to be issued in 2015/16.

**Level 1 Reports :**

<b>Pathways Day Centre (CFW) / (Adult Social Services and Community Wellbeing)</b>	<b>Medium/High (GREEN)</b> (16/3/15) <i>Establishment</i>	Overall, adequate and effective controls were found to be in place for most areas reviewed. A small number of recommendations were made in the draft report. This included the need to ensure an up to date business continuity plan was in place.
<b>Springfield Primary School (CFW) / (Children’s Services)</b>	<b>Low/Medium (AMBER)</b> (16/3/15) * <i>School</i>	Based on the draft report issued, a Low/Medium Opinion was given but this will be confirmed following the issue of a final report incorporating the management response to the recommendations made.

\*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.

**CLIENT SURVEY RESPONSES 2014/15**

**APPENDIX D**

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	9	4			
Feedback of findings and liaison during the audit	11	2			
Professionalism of auditors	11	2			
Helpfulness of auditors	12	1			
Timeliness of the review and the draft report	10	2		1	
Clarity of the report	11	2			
Accuracy of the report	9	3	1		
Practicality of the recommendations made	5	5	2		
Usefulness of the audit as an aid to management	9	4			
<b>Total</b>	<b>87</b>	<b>25</b>	<b>3</b>	<b>1</b>	
<b>%</b>	<b>75%</b>	<b>21%</b>	<b>3%</b>	<b>1%</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?	2	5	1	5	
<b>%</b>	<b>15%</b>	<b>38.5%</b>	<b>8%</b>	<b>38.5%</b>	

