Head of Internal Audit Opinion and Annual Report 2016-2017

Stockport MBC Internal Audit Services

Contents

1. Introduction

Purpose of this report

1.1 The Borough Treasurer, as the s151 officer, is responsible for ensuring a sound system of internal control that supports the achievement of the Council's objectives and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element of assurance is the overall assurance opinion from the Internal Audit and Risk Manager.

1.2 This report sets out the overall Audit Opinion together with a summary of the work that the Council's Internal Audit Service has undertaken during 2016-17. The report also provides information on the performance of the Internal Audit service in 2016/17 and an assessment of the compliance against the Public Sector Internal Auditing Standards (PSIAS).

The role of Internal Audit

1.3 Internal Auditing is defined as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards – PSIAS).

1.4 The scope of our work, management and audit's responsibilities, the basis of our assessment and access to this report are set out in Appendix A to this report.

2. Overall Opinion and Assurance Statement

Overall Opinion

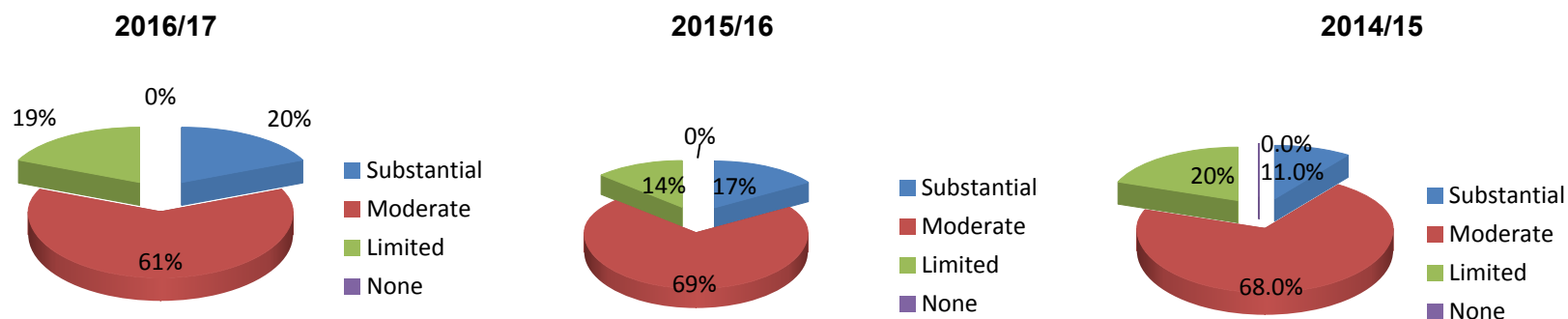2.1 On the basis of our programme of work for the year, I can provide moderate assurance overall that there is a generally sound system of internal control, adequately designed to meet the Council's objectives, and controls are generally being applied consistently. However some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk.

2.2   In forming my opinion on the Council's internal control environment, risk management process and corporate governance, I have considered the work undertaken by the Internal Audit Service throughout the year.

Summary of assurance provided by the Internal Audit Service

2.3   A summary of all the assurance we have provided during the year is provided below. This includes each audit review directed to providing controls assurance, but it excludes work, for example, on the certification of grant certification work and our support to management on fraud investigation work. The overall picture of assurance provided across the audit reviews undertaken during 2016-17 is summarised below. A comparison is provided with 2014/15 and 2015/16 and shows an increase in 2016/17 in the overall percentage of substantial assurance ratings limited assurance ratings. (See Appendix B for description of assurance levels).

| 2016/17 | 2015/16 | 2014/15 |

2016/17: Substantial 20%, Moderate 61%, Limited 19%, None 0%

2015/16: Substantial 17%, Moderate 69%, Limited 14%, None 0%

2014/15: Substantial 11.0%, Moderate 68.0%, Limited 20%, None 0.0%

Management's response to our findings

2.4   Each of the issues the Internal Audit service has raised during the year has been discussed with the relevant service management teams as part of a formalised closure meeting. Furthermore, summary reports are presented on a quarterly basis to the three Directorate Senior Management Teams and to Corporate Leadership Team. Action plans have been subsequently agreed and actions are already being implemented by nominated officers. The Internal Audit service will follow up our findings during the course of 2017-18 and provide support to management to develop and implement solutions to the control issues identified.

Follow-up of our previous work

2.5   The approach is now focussed on audits which have been given no or a "limited" assurance opinion to ascertain and provide management and members with a timely assessment of how well the agreed recommendations have been implemented. A summary of the position statement for those audit reviews which were given a limited assurance opinion is set out in the quarterly updates to Audit Committee. Where improvements have been made to the control environment we will use this to update our opinion and assurance ratings may be improved as a consequence. This provides stakeholders with a clearer and timelier view of the current control environment in operation. This is a positive reflection on the importance attached to addressing key recommendations by managers throughout the Council.

2.6   Furthermore, we have undertaken work to ascertain progress in implementing agreed recommendations resulting from all other audit work completed in year and from earlier year's reviews. Good progress has been made to implement the action plans as agreed. However with the work associated with achieving the significant saving proposals and the loss of management capacity, some management teams have not been able to implement the recommendations within the timescales originally agreed. However most of the recommendations we have agreed with management have been or are being implemented and revised action plans have been agreed where necessary. In addition, we are now working with our colleagues in finance to follow up all recommendations made and agreed at schools.

3.   Key Issues and Themes

Internal control environment

3.1   Our work found no evidence of significant lapses in the internal control framework and we consider that management have responded appropriately and positively to Internal Audit recommendations.

3.2   A number of developments and changing context to reform within the Council in the past 12 months has meant that the Council continues to make changes to its organisational structures and ways of working. This has kept the overall risk to the internal control environment high with changes in staff responsibilities and associated authorities.

3.3   Our work has confirmed that adequate management arrangements are in place including robust monitoring and reporting processes to ensure that the agreed savings proposals are being realised and the risks are effectively mitigated. However our work also identified for a number of services where key projects are being managed that whilst the framework for corporate governance and reporting arrangements was in place, there were some issues impacting on the delivery of agreed objectives. These issues stem mostly from

difficulties in delivering agreed objectives due to scarce and limited resources, data security and data quality risks which need strengthening and ensuring contract monitoring procedures are robust as more services are being outsourced. These significant governance issues are reported within the Annual Governance Statement.

Risk management

3.4   Our work has identified that risk registers are now in place for some services and all major projects (mirroring the guidance in the Risk Strategy) but that risk appetites are not always determined. In other cases, risk registers have been produced but are not always monitored, reviewed and updated. We will continue to work with services to ensure that they manage current and emerging risks to their objectives in the most effective way.

3.5   A range of key projects have had independent input from the service, in the form of Risk Workshops, to provide assurance and advice on how controls are being identified, managed and controlled. These include Children's Services, Place Public Protection, Highways Shared Services, Redrock and Merseyway projects and Corporate and Support Services. In addition we have reviewed the process for capturing, managing and mitigating all portfolio risks within the Council.

3.6   We have also been actively involved in work around the new Highways Code of Practice with our Highways colleagues, advising on the effects of changes to our current intervention levels and the possible risk and insurance effects of this.

3.7   Risk management training has been provided to all members of the Audit Committee and was delivered to all new members of the Council in July 2016. This training is now provided on an annual basis. This has and will further ensure the continued challenge and input from members on how the Council manages risk.

3.9   We aim to roll out further risk management training in 2016/17 to the Corporate and Support Services and Place and People Directorates and schools.

3.10   All audit reviews now provide assurance on the overall risk management arrangements within the service audited.

3.11   Following a restructure of the Internal Audit, Risk and Insurance service a new post of Risk Manager has been created. This will strengthen independent assurance, advice, support and guidance on all risk management issues in the future by allowing targeted risk reviews in key risk areas, planned risk workshops and training and assurance on the effectiveness of risk management processes.

Corporate governance

3.12 The Internal Audit Service continues to be involved in the development of the Council's corporate governance arrangements and monitoring of the Annual Governance Statement through the Internal Audit and Risk Manager's attendance at the Corporate Governance Group, Data Breach Panel and Health and Safety Group.

3.13 Our internal audit work has confirmed that the Council continued to undertake further work to update its constitution but has delayed taking steps to improve the process for officers to declare business interests and gifts & hospitality. We will continue to monitor the Council's progress in addressing these issues.

3.14 We updated our Local Code of Governance to take account of the changes as identified in the Delivering Good Governance in Local Government Framework 2016 Edition. All principles and sub principles have been updated to reflect the changes in the new guidance. Furthermore there is more detailed narrative around the governance arrangements with our partner organisations, namely Solutions SK and Stockport Together. This was approved by our Executive in February 2016. Internal Audit played a pivotal role in these changes.

3.15 The draft Annual Governance Statement was updated by the Internal Audit and Risk Manager and this was discussed and approved as a draft at the Audit Committee in March 2016.

4. Delivery of 2016-17 Audit Plan

4.1 The Internal audit plan for 2016-17 was approved by the Audit Committee at its meeting in March 2016 and the committee received regular updates on progress against the plan during the year.

4.2 The 2016-17 Audit Plan included 940 days for specific audit related activity (including 30 days procured from Salford Computer Audit services) and the planned audit resources based on an Internal Audit team of 6 FTEs *(after deductions for non-chargeable and planned consultancy & assurance work)* was 918 days. The table below shows the breakdown and comparison between budget and actual days utilised.

4.3

Audit Related Work	Original Budget (Days)	Revised Budget (Days)	Actual (Days)
GM assurance work	30	30	0
Strategic and governance reviews	60	60	59
Programme and project assurance reviews	280	280	214
Service reviews	160	160	151
Financial systems	50	45	34
Pro-active anti-fraud reviews including National Fraud Initiative	80	65	78
Procurement and contract reviews	100	80	78
School audits	50	50	47
Computer audits *(plus 30 procured from Salford)*	15	15	18
Compliance reviews	35	20	34
Follow-ups	40	40	37
Work carried forward from previous year	40	40	46
Total audit related work	**940**	**885**	**796**

4.4   In addition to this, a contingency budget of 190 days was allowed for consultancy and assurance work *(excluding external work and governance/assurance mapping)*. The table below shows the breakdown and comparison between the contingency budget and actual days utilised.

Consultancy and Assurance work	Original Budget (Days)	Revised Budget (Days)	Actual (Days)
Continuous auditing	50	50	60
Investigations	80	80	143
Ad hoc advice and consultancy support / Project development	60	60	76
Total consultancy and assurance work	**190**	**190**	**279**

4.5   The following table summarises the outturn of audit reports produced in 2016/17. More information about the outcomes of Internal Audit work relating to risk based reviews, financial system reviews and proactive anti-fraud work is provided at Appendix C.

Type of Work	Audit Outputs	Audit Outcomes

Type of Work	Audit Outputs	Audit Outcomes
Strategic and governance reviews	3 final reports issued	<table><tr><td>Substantial assurance</td><td>1</td></tr><tr><td>Moderate assurance</td><td>2</td></tr></table> The summary of the opinion and assurance statements for the individual risk based reviews which were finalised in the year are provided in Appendix C.
Programme and project assurance work	Feedback, opinion and assurance on Stockport Together and Capital Growth programmes Report on Digital by Design issued	We have continued to monitor the position in respect of Stockport Together and in particular the development of the shadow Multi-Specialty Community Provider (MCP) entity. Our work have involved review of minutes and agenda papers, held meetings with key officers, and reviewed the arrangements against guidance and section 75 requirements. Reform - based on a risk assessment, we have focused our efforts on the Digital by Design (DbD) project, CSS review and Public Safety and Protection (PSP) services. Our work has involved meetings with DbD programme managers and observation of daily management of individual project streams. We have advised on the development of the PSP Business Plan to implement a locality focus service and working with colleagues in Finance and challenging the various savings plans within CSS to ensure these are reasonable. Capital Growth - based on a risk assessment, we have focused our efforts on Red Rock, Stockport Exchange, Merseyway, A6/MARR, TCAP and Highways Investment Programme (HIP). Our work involved attendance at Project Board meetings for Red Rock and Stockport Exchange to ensure key risks are discussed and managed and ensuring that the schemes are within the permitted cost envelope. We also attend Board meetings for the Merseyway asset to ensure appropriate arrangements are in place for progression of plans for redevelopment. We also attend Board meetings for the A6/MARR, TCAP and HIP schemes and provide assurance using the traditional audit approach.

Type of Work	Audit Outputs	Audit Outcomes
Service reviews	9 final reports issued 1 draft report issued	<table><tr><td>Substantial assurance</td><td>0</td></tr><tr><td>Moderate assurance</td><td>5</td></tr><tr><td>Limited assurance</td><td>5</td></tr></table> The summary of the opinion and assurance statements for the individual risk based reviews which were finalised in the year are provided in Appendix C. Adhoc reviews of registrars and taxi licensing also resulted in limited assurance opinions. These are not detailed in appendix c as the reviews were light touch and unplanned.
School audit visits	8 final reports issued 2 draft reports issued	<table><tr><td>Substantial assurance</td><td>3</td></tr><tr><td>Moderate assurance</td><td>4</td></tr><tr><td>Limited assurance</td><td>1</td></tr><tr><td>No assurance</td><td>0</td></tr></table> *(Note: 2 final reports issued did not express an opinion as these related to specific investigations undertaken at the school – see investigations)* We have made a total of 61 recommendations at the 10 schools visited and these were graded as follows: 9 High, 32 Medium and 20 Low risk. Our recommendations to address the high to medium risk findings included at 5 schools the need to monitor budgets to ensure a financial sustainable position is established going forwards, ensure only income relating to school fund is credited to this account, changes to procedures for instigating and approving

Type of Work	Audit Outputs	Audit Outcomes
		honoraria payments, and improvement required to financial procedures over the use of school funds.
Financial systems reviews	2 final reports issued	<table><tr><td>Substantial assurance</td><td>1</td></tr><tr><td>Moderate assurance</td><td>1</td></tr></table> The summary of the opinion and assurance statements for the individual financial systems reviews are provided in Appendix C.
Contracts / Projects audits	2 final reports issued	<table><tr><td>Substantial assurance</td><td>0</td></tr><tr><td>Moderate assurance</td><td>2</td></tr></table> The summary of the opinion and assurance statements for the individual financial systems reviews are provided in Appendix C.
Computer audits	3 final reports issued	<table><tr><td>Substantial assurance</td><td>1</td></tr><tr><td>Moderate assurance</td><td>2</td></tr></table> The summary of the opinion and assurance statements for the individual financial systems reviews are provided in Appendix C.
Advice and consultancy support to Council management and schools including	Approximately 30 ad-hoc advice sessions provided Seven final reports issued following the completion of the investigations with another in progress	During the year we received approximately 30 ad hoc requests for advice and consultancy support on various matters, in particular around procurement and payment procedures, income receipting & cash handling, and scheme of delegations. All advice was issued on a timely basis to assist management to maintain proper systems of internal control.

Type of Work	Audit Outputs	Audit Outcomes
internal audit investigations	Advice provided on 3 smaller investigations	During the year we continue to receive an increased level of management requests to undertake investigations into a number of whistleblowing allegations and where management have requested support from Internal Audit in investigations of financial impropriety. We have issued advice to line management regarding these matters.
Compliance reviews for Council management	9 unqualified opinions	We undertook compliance work at the request of management and issued unqualified opinions for five grant claims and returns and one statement of accounts for a charity.
Pro-active anti-fraud reviews including National Fraud Initiative work	1 final report issued	<table><tr><td>Substantial assurance</td><td>0</td></tr><tr><td>Moderate assurance</td><td>1</td></tr></table> The summary of the opinion and assurance statements for the individual proactive anti-fraud reviews are provided in Appendix C Internal Audit has co-ordinated action on the 2016/17 National Fraud Initiative data matching exercise designed to help prevent and detect fraud, overpayment and error. Matches received are assigned to relevant teams for investigation. A full report on outcomes will be issued in due course, however at present, it has identified approximately £111,000 savings generated from Council Tax Single Person discount fraud, £40,000 overpayments to a care home which is now being recouped, and potentially a £3,000 overpayment on pension payments. *(Please note these figures have not yet been subject to independent verification).*
Follow-ups	26 follow up reports issued	Our follow-up work has identified that approximately 69% of recommendations were implemented within the original agreed target dates. However a further 26% of recommendations are either partially implemented or progressing towards revised target dates.

Type of Work	Audit Outputs	Audit Outcomes
		<table><tr><td>**Status of Recommendations**</td><td>**%**</td></tr><tr><td>Implemented</td><td>69</td></tr><tr><td>Partially implemented or progressing towards revised target dates</td><td>26</td></tr><tr><td>Not implemented</td><td>1</td></tr><tr><td>No longer relevant</td><td>4</td></tr></table> One recommendation relating to Public Realm (Cost Plus) was not implemented, and this was carried forward to 2017-18 for further follow-up and will continue to be monitored.
Solutions SK and Individual SSK audit reviews	Four audit reports and follow up reports issued to SSK management and their Audit Committee.	We also provide an internal audit service to Solutions SK ("SSK"), a wholly owned company. This work is planned separately with SSK management and reported to their management and Audit Committee. We are on target to achieve our agreed performance measures for SSK for the year.

4.6   Internal Audit performance during the year was measured against a suite of performance indicators which were reported during the year to the Audit Committee. The table below shows the performance of the team over the year against the targets agreed at the start of the year.

Performance Indicator	2016/17 Target	2016/17 Actual
Audit Plan completed	90%	90%
Final reports completed within budgeted number of days	85%	77%
Draft reports issued within 15 working days of completion of fieldwork	85%	88%
Chargeable time	80%	88%

A proportion of agreed audit recommendations reported to Management are high level, strategic and prioritised as high risk which provides added value to Management and the Service	15 – 30 %	15%
A proportion of agreed recommendations have been implemented by the target date	70 – 90 %	71%

4.7 All the indicators set and agreed in 2016/17 were achieved, with the exception of completion of final reports within budgeted number of days. A new monitoring system is being established during 2017-18 to improve this performance. Best practice now dictates a combination of quantitative (as outlined in 4.4) and qualitative indicators, the latter considering more output based measurements identifying the value and worth of audit input rather than just specific numbers and percentages. Future performance monitoring will be based on this best practice.

5 Quality Assurance and Improvement Programme

5.1 As part of the Public Sector Internal Audit Standards there is a requirement for the internal audit team to have in place a Quality Assurance and Improvement Programme (QAIP). This must include both internal and external assessment of compliance against the standards. The internal assessments are ongoing and an external assessment must be undertaken once every five years. The external assessment of the service is due to take place in 2017/18. We reported the results of our QAIP to the Audit Committee in April 2017 and a summary of this is enclosed in Appendix D.

5.2 In addition to evaluating compliance with the standards the QAIP must also assess the efficiency and effectiveness of the internal audit activity, identifying areas for improvement. This is achieved through service improvement days and customer satisfaction surveys.

5.3 During 2016/17 the Internal Audit Team carried out a self-evaluation against the standards the results of which can be seen in the following chart.

400 ┤ 325
300 ┤
200 ┤
100 ┤   2   0   12
  0 ┴────────────────────────────
     Yes   Partial   No   N/A
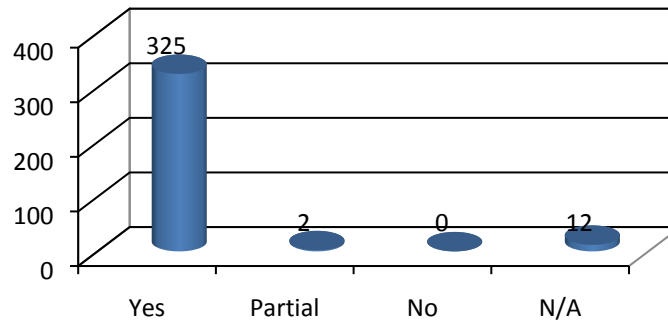
Disclosure of non-conformance with the Public Sector Internal Audit Standards

> It is the opinion of the Chief Internal Auditor that in all material aspects Stockport Council's Internal Audit Team conforms to the definition of internal audit, the Code of Ethics and the Public Sector Internal Audit Standards.

5.4   Whilst the Public Sector Internal Audit Standards only require non-conformance to be disclosed when it impacts the overall scope or operational of the internal audit activity, the additional requirements for the public sector state that all instances of non-conformance and progress against improvements plans must be reported in the annual report. The QAIP Action Plan can be seen in Appendix E of this report.

A   Scope, responsibilities and assurance

Scope

A.1   In accordance with the Public Sector Internal Audit Standards, the scope of Internal Audit encompasses all of the Council's activities, resources and services including where they are provided by other organisations on their behalf. Internal Audit has unrestricted access to all Council employees and Elected Members and the authority to obtain such information and explanations, as it considers necessary to fulfil its responsibilities.

Responsibilities

A.2   It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors should not be seen as a substitute for management's responsibilities.

A.3   However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have provided advice to management on appropriate mitigating actions to address risk. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to undertake investigations in such matters under the direction of the Fraud and Irregularities Panel.

A.5   Internal audit's role include assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing tests to ensure that these controls were operating for the period under review.

Basis of our assessment

A.6   My opinion on the adequacy of control arrangements is based upon the results of Internal Audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

A.7   There have been no limitations to the scope of the audit work.

Limitations on the assurance that Internal Audit can provide

A.8   The audit process is generally dependent upon the existence of an effective system of internal control. There is always a risk of an internal control system failing to operate as designed. There are inherent limitations as to what can be achieved by an internal control system. Any system of internal control may be ineffective against fraud involving collusion among employees or fraud committed by management, for instance management overriding controls, faulty judgement in decision making processes or breakdown in controls due to human error. No matter how well designed and operated, sound internal control systems can only provide reasonable assurance and not absolute assurance that objectives have been, and will continue to be, met. Furthermore, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in the future. Such inherent limitations of internal control system also contribute to inherent limitations of an audit.

A.9   Decisions made in designing internal controls inevitably involve the acceptance of some degrees of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance, any assessment of internal control is judgmental.

Appendix B

B   Levels of Assurance Definitions and Classification of Audit Recommendations

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Moderate Assurance	Whilst there is a basically sound system of internal control, there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk
No Assurance	Control is generally weak leaving the system open to error or abuse; or significant non-compliance with basic controls leaves the system open to error or abuse.
Priority	**Definition**
High	Serious weaknesses in controls that lead to a high risk of error in the area under review.
Medium	Weaknesses in controls that increase the risk of error, or where there is scope for considerable improvements in efficiency
Low (Merits Attention)	Weaknesses that individually have no major impact, but where in our opinion the recommendations represent best practice or where the process could benefit from improved controls or greater efficiency.

C   Summary of Outcomes from Finalised Audit Reports during 2016-17

Review	Overall Opinion	Recommendations		Summary
Arrangements for using Agency, Fixed Term and Temporary Staff	Moderate	High Medium Low Total	1 2 0 3	Overall our review confirmed that adequate arrangements are in place for the use of agency and temporary staffing resources, in particular: - demand for temporary, fixed term and agency staff is controlled via the Workforce Deployment Panel process - approval processes are in place for the use of Bureau if existing staff can't provide cover and a contract with Hays for the provision of agency staff which are utilised if the bureau cannot meet staffing needs - temporary fixed term recruitment processes are in place however we recommended that these be strengthened through the use of termination dates to be recorded on the system. This has been accepted and work is ongoing to address this
Crematorium and cemeteries	Moderate	High Medium Low Total	1 3 2 6	The contract between the Council and the service provider is out of date and operationally what now takes place may not be strictly in accordance to the original contract. At the time of the audit, discussions between the Council and the service provider Co-op were in place to resolve this with consultation via the STAR procurement team and Legal Services. We also reported on some areas where further improvement could be made, specifically about strengthening monitoring of action resolution procedures, establishment of a documented Data Processing Agreement and the need to have robust process to verify cremation figures. *(Since the audit was concluded, the existing terms and conditions with regards to the contract and lease agreement have been transferred to a new service provider. Our follow-up has concluded that satisfactory progress is being made to address this).*
Pensions administration	N/A	N/A		We examined the submission made to the Greater Manchester Pension Fund (GMPF) for the period 1st April 2015 to 31st March 2016 in accordance with the definitions and conditions in the GMPF guidelines. We identified a small error in relation to the figures supplied in respect of the final salary pay (2008 regulations) and this was subsequently corrected prior to submission. We noted that the Council has already identified a system issue in the iTrent system regarding the calculation of Assumed Pensionable Pay for a small number of employees on maternity and sickness leave. The Council is working with the supplier (Midland HR) to resolve this issue and will be

Review	Overall Opinion	Recommendations		Summary
				undertaking an exercise early in 2016/17 to review the impact of the issue on the Employer Contributions paid over. Overall, subject to the issue noted above, we concluded the submission to GMPF was accurate and correct.
Community Safety – Information Governance	Limited	High Medium Low Total	3 3 0 6	We found the Community Safety Unit actively sharing information with partners to support the effective local tackling of crime and re-offending. However there remain a number of areas that need strengthening which has been accepted by management and these are to: • raise the profile of information governance • re-establish the information sharing agreement (ISA) group so that the ISA can be updated to reflect current requirements and minimise the risks of impaired communication • strengthen procedures for raising and authorising council ad-hoc requests for data • ensure staff receive annual refresher training
Active Directory	Moderate	High Medium Low Total	4 1 0 5	The audit review provided assurance that the system of control in respect of the administration of Microsoft Active Directory is adequate and being consistently applied. However there were some recommendations made to address some gaps in the system of internal control, in particular around: • Establishing a clear process for reviewing external users requirements for access to the network • Improving the use of group membership folders and the process for granting an individual access to a group membership folder Improving the naming convention of user accounts to distinguish internal user accounts from partner accounts.
Employee expenses	Substantial	High Medium Low Total	4 1 0 5	The review confirmed a strong control environment around employee expenses. There is clear guidance for staff relating to expenses and allowances, with the majority of payments processed through the i-Trent HR & Payroll system via self-service. Using self-service means expenses are subject to approval by line managers via the electronic workflow process. Audit testing confirmed that mileage and subsistence claims examined appeared reasonable but recommended that authorising managers need to be reminded of the need to ensure that all claims should be checked for accuracy
Highways Investment Programme	Moderate	High	0	Programme Governance arrangements are sound, the HIP Project Board discuss operational and financial matters and key risk areas, having recently refreshed the programme risk register with emerging risks. However, it was noted that there have been some staffing resources issues, with

Review	Overall Opinion	Recommendations		Summary
		Medium	3	temporary appointment of the Senior Responsible Officer and the difficulties in recruiting and/or retaining suitably qualified Highways Engineers. The programme may therefore be exposed to delivery risks.
		Low	3	Arrangements for selecting contractors to deliver the HIP are being well managed with contractors from the 'Streetscene Alliance' engaged. With the variety of work types, from patching repairs to full carriageway resurfacing works, the choice of contractor is based upon the available equipment and their expertise. We found sound systematic arrangements in place to monitor the quality and performance of contractors, namely selected site visits and a 'sign-off' mechanism prior to releasing any interim payments, along with regular review meetings with contractor representatives to discuss; amongst other things, pre-planning, scoping of future works and any emerging issues from works on site.
		Total	6	
Inspection regimes linked to insurance	Limited	High	3	Our review confirmed that there appears to be gaps in the arrangements to ensure that only the equipment that the Council is responsible for is being inspected and in the arrangements to ensure that the independent inspection reports are received by the relevant person and are acted upon.
		Medium	4	The Council use an independent inspector for the inspections who provide access to their online reporting application, however we found that the Council is not properly utilising the system to flag the reading of the reports or always to record any action taken. There is no system administration performed on the application meaning its effectiveness is reducing over time. We note that there is no escalation mechanism built into the system so that action may remain outstanding.
		Low	1	
		Total	8	In order to benefit from the independent inspections performed by Zurich, it is fundamental that action to receive, read and act on the reports is effectively monitored and controlled. Any adverse findings identified by Zurich during their inspections, and notified on Crimson, put the council on notice and they must be addressed within an appropriate timescale.
Information governance	Moderate	High	1	Our audit confirmed key controls are in place in respect of information governance arrangements and note that where weaknesses have been identified, these have been captured by the SIRO and are included in the 2016-17 work plan. The key areas that need to be addressed is to ensure that a centralised information asset register and a central record of data sharing agreements is established and maintained and monitoring of training on protecting information need to be strengthened.
		Medium	3	
		Low	1	
		Total	5	
Client side monitoring of learning disability providers	Moderate	High	1	Formal contracts are in place with the service providers with periodic contract monitoring meetings taking place. However it was found that the Quality Assurance team do not carry out any formal monitoring of externally provided supported tenancies to review the adequacy of the arrangements in place, including checks on service user finances. However, we have been informed that work is underway to address this issue.
		Medium	2	
		Low	0	

Review	Overall Opinion	Recommendations		Summary
		Total	3	
Cybersecurity	High level of assurance	High	1	Controls are adequate and effective to address most business risks reviewed by the audit.
		Medium	2	The Council has technical and logical controls in place that would reduce the risk of an attacker gaining access to its IT resources and information or reduce the impact of data loss or corruption, should inappropriate access be gained to such assets.
		Low	0	The required underlying policies, procedures and supporting documentation are in place to provide the level of governance and management required to strengthen the overall control environment. However, the audit did identify that improvements could be made to the internal reporting of cyber security events.
		Total	3	
				The key risk identified relates to the use of unsecure removable media, that is USB drives. Please note that this review was undertaken by our partners Salford ICT Audit.
IIS programme management	Moderate	High	0	Our review has confirmed that management and governance structures are in place, roles and responsibilities clearly defined and clear accountability for decision making procedures. Reporting arrangements are in place within individual directorates to their respective line management and senior management teams, as well as to the IIS Programme Board.
		Medium	3	
		Low	1	Achievement of the 2015-16 financial savings was made in full and we noted that in order to achieve the 2016-17 financial savings, significant use of one-off revenue support (£4.7m) is required to meet the shortfall as well as reserves being set aside to meet specific service pressures. This is a prudent measure, however in the long term, the continued use of reserves to support recurrent reductions in budgets where implementation plans have been delayed or not initially achieved within agreed timescales is considered not sustainable.
		Total	4	
				Since this audit was initially carried out there have been a number of developments and changing context to reform within Stockport. The outcome focused strategy, agreed by Partners in the 2015-2020 Borough Plan, continues to inform the Council's thinking and this is built in to their Medium Term Financial Plan through a series of working papers which outline a wider programme of work, these papers include (joined-up local services, Working with Communities, Localities (Property) Programme, Inclusive Growth, Income Generation, Digital by Design phase II). This incorporates existing programmes of work including, Stockport Together and Stockport Family.
				The learning from this audit was found to be useful and will be incorporated into this newly configured phase of Stockport's change programme.
Safeguarding of Adults	Moderate	High	1	The service implemented new ways of classifying and processing safeguarding cases since September 2015 which, if not properly managed, could result in significant legal and reputational issues for the Council.
		Medium	3	

Review	Overall Opinion	Recommendations		Summary
		Low	0	Our review confirmed that the Adult Safeguarding Board approved and published Harm Level Guidance for Providers in January 2016 however, whilst the overarching safeguarding policy was updated to reflect the levels of harm guidance, this has not been formally adopted by the Adult Safeguarding Board or published. However staff in the Safeguarding Adults team are all fully aware and trained.
		Total	4	
				We have recommended that the end to end safeguarding process, including Levels of Harm is documented and incorporated where possible into workflows on the Carefirst system.
				We have reviewed a sample of cases since the Levels of Harm guidance was issued and it is clear that staff are liaising with providers to ensure cases are correctly classified and handled on a case by case basis. However, there is a lack of monitoring / oversight of safeguarding processes, apparently due to a lack of management information from the Carefirst system. Better periodic management information should be combined with more rigorous monitoring of case volumes, outcomes and trends.
Growth & Income	Moderate	High	1	The risks associated with delivering the growth programme are sufficiently high and recognised in the corporate risk register and this is discussed at the Corporate Leadership Team on a quarterly basis throughout the year. Our review confirmed adequate risk and project management arrangements are in place within individual Project Boards to ensure that key regeneration and housing projects are being managed effectively against compliance requirements and delivered against budget and milestone dates. Some issues are being experienced on specific projects which are captured on individual project issues log and these are reported to the Town Centre Investment Board as appropriate.
		Medium	2	
		Low	2	
		Total	5	
				Business case processes are utilised for key projects which allow financial analysis to be undertaken to ensure funding is available and the project is financial viable. Our review of the financial analysis for the key regeneration projects confirmed that the lettings profile is realistic and a prudent approach has been adopted for assessing the level of income projections.
				We have identified a number of key risks where we considered further action should be undertaken to mitigate these and this has been accepted by management.
SEN Placements	Limited	High	5	The scope of the review was to examine whether effective management arrangements are in place for the provision of accurate financial and management information to inform strategic and operational processes relating to supply of SEN placements.
		Medium	3	
		Low	1	Management comments
		Total	9	The provision in Stockport's Special Schools is excellent. Three schools are judged as outstanding and one is judged as good. There is a growth in the pupil population identified as having special needs and the review has confirmed that the service is under pressure from increased demand for special school places and a lack of capacity within its own special schools to provide these places.

Review	Overall Opinion	Recommendations	Summary
			There has been limited capital funding from the DfE to invest in expanding the provision but the Council has managed to date to make very good use of limited resources to address the capacity issues at the Special Schools. A lack of capital investment by the DfE is however limiting the service's vision to increase capacity in maintained special school places. Consequently as some schools are overcapacity the Council has had to spend resources on placing children with special needs in non-maintained and independent schools (NMIS).
			Our audit review identified a number of issues which exacerbate the processes for longer term and strategic planning for SEN placements, including • Budgets are monitored throughout the year but identifying appropriate placements to meet need may well exceed anticipated budgets e.g. if there are a high number of requests for change of placement from mainstream to specialist places. The lack of places in maintained schools has often led to placement in expensive NMIS schools. • Comprehensive and robust predictive forecasting systems need to develop to ensure more informed analysis. • Financial costs on full costs of placements are not readily available at placement level. • Progress against outcomes is not actively monitored at placement level for external placements. • Information systems and processes are not fully in place to ascertain whether the service is getting value for money from placements for children with complex special needs outside the Council's maintained special schools. • Due to a lack of investment in capital build programmes by the DfE there are no effective long term plans or solutions to control spending on NMIS placements. Feasibility and cohort analysis work has been carried out in response to concern over the additional capacity required for special schools with respect to children presenting with severe and profound learning disabilities, but a decision has yet to be made. No analysis has yet been undertaken with respect to increasing capacity for pupils with behavioural, emotional and mental health needs. An action plan has been agreed with management, and we will undertake a follow-up of this in July 2017.
Business Improvement District	Substantial	High 0 Medium 0	The ballot of affected ratepayers in the Business Improvement District (BID) was successful, and a separate company is being formed to run the BID and the scheme will be live from April 2017, initially for 5 years.

Review	Overall Opinion	Recommendations		Summary
		Low	1	The Council, primarily through the Growth Manager, was engaged with Vision Stockport to shape the BID proposal as well as the arrangements for the ballot and for collecting the levy. The Council appear to be both aware of and following industry practice in this. A detailed funding agreement is in place with Vision Stockport which sets out the Council's criteria and aims and objectives for providing the initial funding, as well as arrangements for clawback.
		Total	1	Our review of the Council's readiness to comply with Department for Communities and Local Government's guidance and best practice confirmed that adequate arrangements are in place or being developed.
				Under the Legislation the Local Authority (LA) is entitled to attend the BID Board as Observer. As a Levy payer and as the owner of Merseyway Shopping Centre the Council can also apply to be on the Board. The current proposal (based on advice from British BIDs and a number of UK BIDs) is that an initial interim BID Board is set up until a formal AGM/ EGM is held and elections made to appoint Board members.
				The overwhelming advice from British BIDs and other BIDs is that the Council should be on the Board. Apart from being a major levy payer, it is vital for the BID to work very closely with the Council and this is best achieved by having a voting Council member represented on the Board. At the moment the BID team, which includes Council representation (Growth Manager), with advice from the BID consultants, is currently considering how the initial interim board might be structured; this includes considering incorporating a clause written into the articles stating that a LA representative must be on the board.
Personal budgets	Moderate	High	0	Overall, we are satisfied with the arrangements in place on the basis that management in the Adult Social Care service are in the process of carrying out a review of the framework of Direct Payments that will address the following areas:
		Medium	7	• Audit of Direct Payments (including audit process, the reclaim process, identification of questionable spend and the escalation process);
		Low	4	• How to audit the different types of Direct Payment accounts;
		Total	11	• How the process of the client's annual review should be aligned to the audit process and any outcomes from it. This is considered to be a key issue.
				Our review confirmed that adequate arrangements are in place for needs assessments and allocation of budgets via the Resource Allocation System (RAS), confirmation of client's identity via the referral and assessment processes, and ensuring the completion of Direct Payments User Agreement forms.
				Some recommendations have been made around ensuring that the Head of Service for Learning Disability & Mental Health addresses any issues in the differences between the RAS used by the Council and the RAS used by the Pennine Care NHS, consideration of introducing separate user agreement forms for childrens' service and to introduce fraud awareness training of staff involved in the administration, assessment and review of direct payments.

Review	Overall Opinion	Recommendations		Summary
				The action plan has been agreed and we will follow these up in due course.
Social Media	Substantial	High	0	Our review has showed that the Council has embraced social media as a tool for communicating campaigns or local issues and as a method of instantaneous interaction with stakeholders. We have concluded there are currently the appropriate controls in place to minimise the key risks associated with corporate social media usage.
		Medium	0	
		Low	1	It is positive to note that there are areas which are very active and/or popular, for example, the Council's main corporate Twitter account has 17k followers. In the case of communicating campaigns, we observed a cohesive and linked approach across the main social media platforms. A review of activity and popularity of accounts did show some have not been active for some time and have a low number of followers and it would be beneficial to review whether such accounts are still required.
		Total	1	
				A separate audit covering 'Cyber Security' has recently been undertaken regarding the IT security framework that offered a high level of assurance that social media accounts are resilient to counter potential threats.
Client side monitoring of Parks and Greenspace	Moderate	High	0	Our review confirmed that all works orders raised for the period April to October 2016 had been issued to Solutions SK (SSK) in line with the corporate decision that all arboriculture works should be automatically allocated to the Council's preferred provider. We understand that the Council's overarching agreement with SSK is currently being revised to provide greater clarity on this matter.
		Medium	2	
		Low	1	Procurement exercises for the supply and installation of Play Equipment is undertaken across the Council's Play Areas across the borough, and our review confirmed that the processes undertaken were appropriate, and complied with CPRs.
		Total	3	
				The current client monitoring role undertaken involves regular Client and Contractor meetings (relating to Greenspace, Arboriculture and Play Equipment) with key staff from both the Council and SSK. Whilst minutes from the respective meetings are taken and shared between all parties involved, and there is generally a good working relationship in place between both parties, there is no formal Greenspaces client inspection and monitoring regime in place with appropriate performance measures and indicators being monitored and reported. At the time of the review we were informed that the Greenspaces Service Level Contract (SLC) with SSK was in the process of being revised which will include the proposed arrangements for Greenspace Quality Monitoring, and the subsequent inspection process and scoring criteria.
				The action plan has been agreed and we will follow these up in due course.
Children social care governance	Moderate	High	0	Our review confirmed that there is a clear structure in place to provide both line management and accountability for the service in order to help promote improved outcomes for children. The needs of vulnerable children are listed as a key priority in the Joint Strategic Needs Assessment, accountabilities
		Medium	2	

Review	Overall Opinion	Recommendations		Summary
		Low	2	within the service area are both clearly stated and known, and staff clearly understood their line management responsibilities and accountabilities.
		Total	4	Staff are provided access to policy and procedures which are supplemented by a supported training regime for newly qualified social workers for their first year. There is an adequate culture of continuous Learning and Development involving regular staff meetings and the use of learning circles. The service uses the Council's standard process for dealing with any formal complaints and the results and lessons learned are relayed to staff during their regular meetings.
				There is a programme of case reviews with an independently selected sample and time is allocated for the performance of case reviews. We were advised that, due to work pressures and the status of some cases, these reviews were not performed on the entire sample selected but the sample selected is considered to be larger than that required for the review process. We noted that the peer review of the Domestic Abuse and Child Sexual Exploitation (DACSE) service found that, from a children's social care perspective, the Stockport Family programme has brought about a clear focus on strength-based, restorative approaches to working with vulnerable children and families in chaos / crisis
				The Children's Act 1989 requires that the Council maintain a register of disabled children. There are separate registers maintained by different service areas but there is not a central register.
				Management have agreed to implement the action plan.
Carefirst Payments	Moderate	High	0	Our review confirmed that there is a full audit trail on the CareFirst system that shows the client details, the service agreement which contains the amounts being paid and the service it relates to. For the sample examined we found no evidence of duplicate payments. However we found that all service agreements are authorised by the same person responsible for input of details. We consider that the lack of independent authorisation review process does not sufficiently mitigate the risk of input errors, and that this is an issue we consider should be addressed in the new system. This has been agreed by management.
		Medium	2	
		Low	0	
		Total	2	
				Our review confirmed that adequate procedures are in place to ensure that the payment files on CareFirst Finance are processed accurately and posted to the SAP Accounts Payable module, with appropriate reconciliation procedures in place.

D   Results of Quality Assurance and Improvement Programme 2016-17

Legend	
• Generally effective OR • Internal Audit good practice OR • Generally conforms with the International Standards for the Professional Practice of Internal Auditing	
• Opportunity for improvement OR • Partially conforms with the International Standards for the Professional Practice of Internal Auditing	
• Not effective OR • Does not confirm with International Standards for the Professional Practice of Internal Auditing	

No.	Standard	Frequency	Timing	Result	Reviewed by	Sign-off by	Comment
1	**Quality Assurance and Improvement Plan (QAIP)**						
1.1	QAIP maintained for Internal Audit	Annual review	30 June	🟩		Internal Audit & Risk Manager	Yes as identified in last self-assessment.
1.2	QAIP aligns with IIA standards	Annual review	30 June	🟩		Internal Audit & Risk Manager	Checks undertaken to standard 1300. Full compliance.
1.3	QAIP comprises: Internal assessments – ongoing Internal assessments – periodic External assessments	Annual review	30 June	🟩		Internal Audit & Risk Manager	Self-assessments undertaken yearly. External Assessment planned June 17
2	**Internal Assessments – Ongoing**						
2.1	Management supervision of all engagements	Ongoing	During and after each audit	🟩	Audit Manager	Internal Audit & Risk Manager	All ToR, CES and draft/final reports are reviewed by the Audit Manager
2.2	Professional peer reviews of a sample of engagements	Ongoing	After each audit	🟩	Audit Manager	Internal Audit & Risk Manager	These are undertaken on school audits
2.3	Regular, structured & documented reviews of working papers & draft reports	Ongoing	After each audit	🟩	Audit Manager	Internal Audit & Risk Manager	CES with its working papers are reviewed by the Audit Manager
2.4	Audit Policies and Procedures used for each engagement	Ongoing	During and after each audit	🟩	Audit Manager	Internal Audit & Risk Manager	Procedures as set out in the Audit Manual are complied with

No.	Standard	Frequency	Timing	Result	Reviewed by	Sign-off by	Comment
2.5	Customer satisfaction surveys	Ongoing	After each audit		Audit Manager	Internal Audit & Risk Manager	Framework is in place for issue of customer satisfaction surveys but the process lapsed for some audits. Consider there is scope for improvement in this area.
2.6	Monitoring of internal performance targets	Ongoing	During and after each audit		Audit Manager	Internal Audit & Risk Manager	Quarterly review of performance indicators, but scope for review to tighten up on individual audit basis.
2.7	Internal Audit & Risk Manager review of all Final Reports	Ongoing	After each audit		Audit Manager	Internal Audit & Risk Manager	
3	**Internal Assessments – Periodic**						
3.1	Review of Internal Audit Charter	Annual	31 March		Audit Manager	Internal Audit & Risk Manager	
3.2	Annual self-assessment to assess conformance with the Standards	Annual	30 June		Audit Manager	Internal Audit & Risk Manager	
3.3	Staff performance development reviews	Annual	30 June		Audit Manager	Internal Audit & Risk Manager	
3.4	Staff declarations	Annual	31 March		Audit Manager	Internal Audit & Risk Manager	
3.5	Internal Audit & Risk Manager's Quality control review of a sample of files	Semi-annual	30 June & 31 December		Audit Manager	Internal Audit & Risk Manager	
3.6	Annual review of the Effectiveness of Internal Audit	Annual	30 June		Audit Manager	Internal Audit & Risk Manager	
3.7	Annual review of Internal Audit compliance against the requirements of the QAIP	Annual	30 June		Audit Manager	Internal Audit & Risk Manager	
3.8	Annual performance evaluation by Corporate Directors, Chief Executive and Chair of the Audit Committee	Annual	30 June				TBC
4	**External Assessments**						
4.1	An independent External Quality Assessment of Internal Audit performed at least once every 5 years	5-yearly	Arranged for June 2017			Internal Audit & Risk Manager	Peer assessment review has been

No.	Standard	Frequency	Timing	Result	Reviewed by	Sign-off by	Comment
	by an independent assessment team from outside the organisation						scheduled for 20 – 22 June 2017
5	**Reporting on the QAIP**						
5.1	Results of QAIP reported to Audit Committee and Senior Management	Annual	Reported to Audit Committee on 15th March 2017			Internal Audit & Risk Manager	

E   QAIP Action Plan 2017-18

No.	Source	Issue	Action	Responsible Officer / Timescale
1	Public Sector Standard	Feedback mechanisms for the performance appraisal of the CAE require strengthening.	The Internal Audit & Risk Manager will discuss feedback mechanisms and performance appraisal with the Chair of the Audit Committee and the new Chief Executive.	Internal Audit & Risk Manager 31st March 2018
2	Internal assessments	Information received on customer satisfaction surveys is ad hoc and there is no regular robust process for analysing feedback. The feedback is not incorporated into the performance evaluation process for the team.	A new process will be implemented to ensure feedback from customer satisfaction surveys are received analysed on a regular basis throughout the year. Analysis will be incorporated within the performance evaluation process.	CSS Audit Manager With immediate effect and ongoing 31st March 2018
3	Performance indicators	The Internal Audit team has underperformed with respect to the completion of final reports within the budgeted number of days. (Target 85%, Actual performance 77%).	A new improved performance monitoring system is being implemented and this will be picked up during the regular 1:1 meetings with staff.	CSS Audit Manager With immediate effect and ongoing 31st March 2018