Annual Audit Report 2015-2016

Stockport MBC Internal Audit

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Distribution:	Audit Committee
	Corporate Leadership Team (CLT)
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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 2015-16. The report also provides information on the performance of the Internal Audit service in 2015/16 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. It should be noted that although the opinion is the same as in the previous year, it is positive to note that the overall trend is an improvement in the overall control environment as outlined in the table in 2.3.

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 2015-16 is summarised below. A comparison is provided with 2014/15 and shows an increase in 2015/16 in the overall percentage of substantial assurance ratings and a reduction in limited assurance ratings   (See Appendix B for description of assurance levels).

2015/16

2014/15
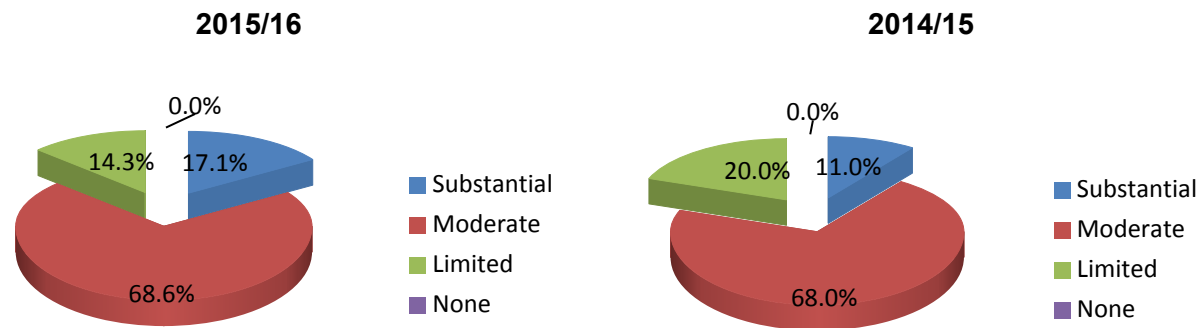
Assurance ratings by type of work in 2015/16

	Risk Reviews %	Financial %	Contracts / Projects %	Schools %	Pro-active anti-fraud %
Substantial	15.8	37.5	0	0	0
Moderate	78.9	50.0	100	40	100
Limited	5.3	12.5	0	60	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 2016-17 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. During the past twelve months the number of audit reports classified in this area has continued to decline and at the 31st March 2016, the total number stood at two. 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   The Council continues to make changes to its organisational structures and ways of working in a number of services as the Investing in Stockport programme becomes fully embedded. This increased the overall risk to the internal control environment 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 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 most 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.

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 the Investing in Stockport Programme of Reform and

Growth, CSS redesign project, elections, community & voluntary activities, highways investment model options appraisal, the new property partnership, the new banking contract, use of credit/procurement cards, SLAS service, EIS Tribal System, Mosaic service, SEMMMS road scheme and the Town Centre Capital Co-ordination Project.

3.6   The Internal Audit and Risk Manager is a member of the A6 MAAR Risk Committee, which meets on a monthly basis.

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 2015. 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.

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

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

Corporate governance

3.10   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.

3.11   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.

3.12   In order to implement changes to the Governance Framework we updated our Local Code of Governance in line with the guidance provided from Cipfa/Solace. A further update will be undertaken in 2016/17 to take account of further changes as identified in the Delivering Good Governance in Local Government Framework 2016 Edition. Internal Audit will play a pivotal role in these changes.

4 Delivery of 2015-16 Audit Plan

4.1   The Internal audit plan for 2015-16 was approved by the Audit Committee at its meeting in March 2015 and the committee received regular updates on progress against the plan during the year.

4.2   The 2015-16 Audit Plan included 825 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 5.1 FTEs *(after deductions for non-chargeable and planned consultancy & assurance work)* was 750 days.

Audit Related Work	Original Budget (Days)	Actual (Days)
Investing in Reform	125	147
Investing in Growth	75	61
Risk based reviews	295	262
Financial systems	55	64
Pro-active anti-fraud reviews including National Fraud Initiative	55	52
Contract / Project audits	30	29
School audits	50	44
ICT audits	15	10
Compliance reviews	15	17
Follow-ups	40	25
Work carried forward from previous year	40	45
Total	**795** Note 1	**756** Note 2

Note 1: 825 days was the original budget but included 30 days to procure from Salford Computer Audit Services.
Note 2: Additional resources was made available during the year through the recruitment of a CSS generic officer with significant audit experience which offset the removal of the 3 day shared post in audit & insurance part-way through the year. This assisted the Internal Audit team to undertake an increased level of investigations in addition to the above work.

4.3   The following table summarises the outturn of audit reports produced in 2015/16. 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
Investing in Reform	Ongoing advisory /	Independent feedback, opinion and assurance on risk, control and

Type of Work	Audit Outputs	Audit Outcomes
(IiR)	consultancy presence	governance issues provided to relevant IiR project boards and project managers throughout the year. Quality assurance review of draft business cases for all IiR projects and feedback provided to the IiR project team. Reporting upwards of significant issues on specific IiR projects to the Corporate and Support Director.
Investing in Growth	Ongoing advisory / consultancy presence	Independent feedback, opinion and assurance on risk, control and governance issues provided to relevant IiG project boards and project managers throughout the year. These include the A6 Relief Road, Highways Investment Programme, Red Rock, Stockport Exchange and the Town Centre Access Plan
Risk based reviews	19 final reports issued 1 draft report issued	<table><tr><td>Substantial assurance</td><td>3</td></tr><tr><td>Moderate assurance</td><td>15</td></tr><tr><td>Limited assurance</td><td>1*</td></tr><tr><td>No assurance</td><td>0</td></tr></table> *(NB: One final report was a value for money review therefore no audit opinion was issued within the report. *In addition, the limited assurance opinion was given for a review which is currently in draft)* 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.
School audit visits	3 final reports issued 2 draft reports issued	<table><tr><td>Substantial assurance</td><td>0</td></tr><tr><td>Moderate assurance</td><td>2</td></tr><tr><td>Limited assurance</td><td>3</td></tr></table>

Type of Work	Audit Outputs	Audit Outcomes	
		No assurance	0
		We have made a total of 39 recommendations at the 5 schools visited and these were graded as follows: 12 High, 19 Medium and 8 Low risk. Our recommendations to address the high risk findings included the need for a finance/resource committee to be in place, strengthening of financial management procedures, an improvement in controls around conflicts of interests, extended services, charging for use of premises, security and procurement.	
Financial systems reviews	8 final reports issued	Substantial assurance	3
		Moderate assurance	4
		Limited assurance	1
		No assurance	0
		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	Substantial assurance	0
		Moderate assurance	2
		Limited assurance	0
		No assurance	0

Type of Work	Audit Outputs	Audit Outcomes
		The summary of the opinion and assurance statements for the individual financial systems reviews are provided in Appendix C.
Advice to Council management and schools including internal audit investigations	Over 30 ad-hoc advice sessions provided Seven final reports issued following the completion of the investigations with another draft report in progress Advice provided on 3 smaller investigations	During the year we received over 30 ad hoc requests for advice on various matters, in particular around financial processes, procurement, anti-fraud procedures, and risk management. All advice was issued on a timely basis to assist management to maintain proper systems of internal control. During the year we received 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	7 unqualified opinions	We undertook compliance work at the request of management and issued unqualified opinions for four 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
Follow-ups	26 follow up reports issued	Our follow-up work has identified that just over 84% of recommendations were implemented within the original agreed target dates. However a further 14% of recommendations are either partially implemented or progressing

Type of Work	Audit Outputs	Audit Outcomes
		towards revised target dates.

Status of Recommendations	%
Implemented	84
Partially implemented or progressing towards revised target dates	14
Not implemented	1
No longer relevant	1

Type of Work	Audit Outputs	Audit Outcomes
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.

4.4   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	2015/16 Target	2015/16 Actual
Audit Plan completed	90%	95%
Customer satisfaction	80%	95%
Final reports completed within budgeted number of days	85%	91%
Draft reports issued within 15 working days of completion of fieldwork	85%	88%
Chargeable time	80%	89%
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	15 – 30 %	21.8%

Service		
A proportion of agreed recommendations have been implemented by the target date	70 – 90 %	84%

4.5 All the indicators set and agreed in 2015/16 were achieved. Best practice now dictates a combination of quantitative (as outlined in 4.3) 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 Assessment of Internal Audit's compliance against the Public Sector Auditing Standards

5.1 A new set of Standards for UK Public Sector Internal Audit becomes mandatory from 1st April 2013. These Public Sector Internal Audit Standards (PSIAS) replace the CIPFA Code of Practice for Internal Audit in Local Government. As an internal audit service provider within the Council, we are required to comply with the PSIAS.

5.2 We have performed our second yearly self-assessment of our compliance against the PSIAS and overall we are currently 92% compliant. This is set out in the table below. An action plan has been established to address the key areas where we are currently not compliant which is reported in a separate paper to the Audit Committee.

Ref	Public Sector Internal Audit Standards	%
	Code of Ethics	100.0
	Attribute Standards	
1000	Internal Audit Charter	100.0
1100	Independence and Objectivity	91.3
1200	Proficiency and Care	100.0
1300	Quality Assurance and Improvement Programme	43.5

Performance Standards		
2000	Managing the Internal Audit activity	97.8
2100	Nature of work	100.0
2200	Engagement Planning	89.3
2300	Performing the Engagement	100.0
2400	Communicating the results	97.6
2500	Monitoring performance	100.0
2600	Communicating the acceptance of risks	100.0
	Overall	**92.6**

Appendix A

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.

Appendix C

C   Summary of Outcomes from Finalised Audit Reports during 2015-16

Review	Overall Opinion	Recommendations	Summary
Bank reconciliation	Moderate	High 5 Medium 2 Low 1 Total 8	Our review has confirmed that the process to undertake the bank reconciliation is a combination of automated and manual processes which underlies the complexity of the Council's banking arrangements and subsidiary feeder systems. The recording of the bank reconciliation is performed using an Excel spreadsheet which is accurately set up to compare all income and payments transactions in the bank statement against those transactions in the Council's accounting system. The process to match the bank statement items against the accounting system remains manual and there is a methodical process for matching items and identifying reconciling items. Our review of the reconciling items and discussion with Finance staff has confirmed that a disproportionate large amount of time is being spent on the process for identifying reconciling items and the action taken to resolve these. It was confirmed that some of the reconciling items appearing in the bank reconciliation statement could be prevented if underlying processes were strengthened. An action plan was agreed with Finance management Internal Audit plan followed this up during February 2016. We reported that all recommendations have been implemented and continue to be improved.
Procurement Cards	Moderate	High 4 Medium 1 Low 0 Total 5	We have confirmed that the control and issue of procurement cards to card holders is well controlled. A robust automated process is in place to pay the card issuer on a monthly and timely basis, and to allocate the expenditure to the appropriate cost centres. However, there is no independent monitoring of card usage; cards are being used by staff other than the card holder, and weaknesses in the authorisation process with the Business Support Service Hubs may leave the cards at risk of misuse and fraudulent payments. An action plan is in place to improve these arrangements and Internal Audit plan to undertake a follow up later in July 2016.
Insurance	Moderate	High 1 Medium 2 Low 2	Our review has confirmed that there are adequate processes in place for establishing the Councils' insurance policy, and that there is sufficient funding in the Council's Self-Insurance fund to cover the cost of any claims lodged against the Council as at a particular point in time. Good progress is being made to address weaknesses in the maintenance of the highways infrastructure

Review	Overall Opinion	Recommendations	Summary
		Total 5	which contributes to the Council's poor defensibility of personal injuries claims. However further work remains to strengthen the data held on computer management systems linked to highways repairs undertaken by Solutions SK. An action plan has been agreed with Highways management and the insurance team and Internal Audit plan followed this up during March 2016. We reported that all recommendations have been implemented.
Bank Contract	Moderate	High 0 Medium 1 Low 2 Total 3	Our review has confirmed that informal monitoring of bank charges are in place and management agreed that a nominated officer should be in charge for overseeing the entirety of the bank contract to ensure all services are being delivered in accordance with the contractual provisions. However, there are no formal arrangements for monitoring the performance of the bank contract to ensure that the service delivered by the Bank is in line with the contractual provisions. Internal Audit undertook a follow up during March and found adequate arrangements over monitoring of bank charges and the Barclays "net service" is now in place.
Risk Management	Substantial	High 0 Medium 1 Low 2 Total 3	In the preceding 12 months, the Risk Management Framework and Strategy has been fully refreshed, appropriately approved and communicated across the Council. In this period, the risk reporting process has become more formal and defined with various levels of reporting occurring. This has also involved the methodology for capturing emerging risks. A number of methods have been deployed in an effort to ensure risk management becomes embedded and 'business as usual' in the Council's activities. Recent examples have been targeted risk workshops, presentations to Senior Management and discussions about ongoing risks at various project boards. This is likely to increase the potential for risk management to be further embedded into the Council's culture.
A6 to Manchester relief road (formerly SEMMMs)	Moderate	High 1 Medium 0 Low 1 Total 2	The audit confirmed that an adequate process was in place for the procurement of the preferred contractor, and that an independent gateway review was applied to the A6 MARR project. We confirmed that the some of the agreed actions from the gateway review have been implemented but recommended that target dates for implementation of the remaining actions need to be established and officers nominated to monitor and ensure that these are addressed. This was agreed by Project Managers. We also identified issues around security over access and storage of sensitive and confidential information by site staff and this is known by the Project Managers who are currently exploring options for resolving the network issues. However no timescale and responsibility was given to a nominated officer and we have recommended that this is clarified. Internal Audit followed up the agreed Action Plan during March 2016 and found the network and information security issues have now been resolved.

Review	Overall Opinion	Recommendations		Summary
Treasury Management	Substantial	High 0 Medium 0 Low 0 Total 0		Our review confirmed that there are robust key controls in operation to ensure that • Investments are placed only with 'approved institutions'. • All investment transactions are subject to an approval process which is enforced by adequate separation of duties and restricted access to transfer funds within the computerised system. • The bank only accepts 'requests to transfer funds' from authorised Council personnel.
General Ledger	Moderate	High 1 Medium 0 Low 0 Total 1		Overall, we found that there is a sound system of control relating to the feeder systems into the SAP general ledger system. Our observation of the process used to ensure the accuracy and completion of the feeder systems input into the SAP ledger system confirmed that the process is adequately controlled. However there is scope for improvement around the interface between the PARIS cash receipting to SAP and the payroll control account reconciliations. The absence of detail relating to PARIS miscellaneous income postings has now been addressed by introducing a Paris postings report. With respect to the payroll control account reconciliations, the Head of Finance is aware of the issues and has allocated additional capacity to resolve this. Internal Audit recently undertook a follow-up and found progress is being made to address these issues. However this is not yet fully implemented. A revised timescale of August and September 2016 has been agreed and Internal Audit will undertake another follow up later in the year.
Creditors	Moderate	High 0 Medium 1 Low 1 Total 2		Overall, our audit confirmed key controls are in place over the creditor payments process, in particular:- • Adequate arrangements are in place over the creation and amendments to standing data on the Masterfile; • The security access and rights to the creditor workflow system is controlled. However there is scope for improvement to ensure that access rights remain up to date and valid for user requirements particularly in times of rapid change in staff responsibilities. A data cleansing exercise has been undertaken to check this. Procedures are in place within the system to highlight potential duplicate payments but this is not always effective. A specialist provider has been commissioned to undertake work in identifying any duplicate payments for income recovery. Whilst a good control in itself this is after the event so requires additional resource in the process.
STAR Contract Register	Moderate	High 1 Medium 4 Low 1		At the time of our audit we confirmed that the contract register was not complete nor fully accurate which was in line with our expectations. However we found that the position was improving and the weaknesses were being addressed. Since December 2014, quarterly extracts from the register are sent to the council representatives to check and confirm the entries. This has the potential to be a useful tool

Review	Overall Opinion	Recommendations	Summary
		Total 6	in maintaining the register and identifying omissions. However, the process is not formalised and partner councils are not actively pursued to confirm the accuracy of the extracts back to STAR. Furthermore, our discussions indicated that STAR are not always notified of new or potential contracts on a timely basis. However, the position is improving as STAR staff are building contacts with relevant people at the councils. The recent issue of the harmonised Contract Procedure Rules for the three partnering councils has clarified the procedures for informing STAR of new or potential contracts and this should reduce the instances of delays in notifying STAR. The STAR Board and Joint Committee agreed to monitor these annually. However, the effectiveness of the harmonised Contract Procedure Rules will also depend on how they are monitored and enforced during the year. Internal Audit recently undertook a follow-up and we reported that all but two of the recommendations have been completed and action to address the two remaining recommendations is progressing appropriately.
Effectiveness of STAR	Moderate	High 3 Medium 2 Low 0 Total 5	The STAR Shared Procurement service has been in operation April 2014 and it is acknowledged that the task of co-locating and merging staff from three different councils, all utilising different systems and working practices to one site to form a unified cohesive unit would present a significant challenge to management. This combined with an uncertain level of demand for the service which transpired to stretch the level of capacity on the team has placed additional pressures on the service. However, we consider that the service has made good progress particularly in the last 6 months around strengthening governance arrangements, development of the procurement strategy and procurement handbook to complement the newly agreed harmonised contract procedure rules, an approved business improvement plan, and development of a balanced scorecard. We have made a number of recommendations around strengthening the benefit realisation framework including clarification of definitions, baseline data, accountability, and differentiation between anticipated and realised benefits. We have suggested that STAR management should satisfy itself that the current method for recording data on the savings register is fit for purpose going forwards and to ensure that whilst it is being used that robust processes are in place for verifying data before it is reported to the STAR Joint Committee. Internal Audit recently undertook a follow-up and we reported that all of the recommendations have been completed.
SEN Placement on EIS	N/A	High 3 Medium 4 Low 0 Total 7	Concerns had been expressed regarding the data quality of SEN data within the EIS system following the data transfer from the Education Management System (EMS) to EIS during September 2014. A detailed analysis of cases which did not match to validation sources were undertaken by the SEN team and found that a significant number of cases related to children living outside Stockport but attends a Stockport school. We found that sufficient action has and is currently being undertaken by the SEN admin team to update the EIS system with the missing data for the mismatched cases.

Review	Overall Opinion	Recommendations	Summary
			A number of recommendations were made to improve the administration processes and data quality within the EIS system, in particular consideration of controls to mitigate the risks of spreadsheet errors, generation of data cleansing reports to ensure records are up to date, and further development of EIS system to improve data recording processes. The recommendations have been accepted and an action plan is in place. Internal Audit is shortly due to undertake a follow-up of this area.
Mod Gov	Moderate	High 0 Medium 1 Low 1 Total 2	The system provides a paperless alternative for Members and Officers to access committee papers and paper copies are no longer provided to members by Democratic Services. Overall, the control environment for this area is strong and the system is generally achieving its objectives. This is positive to note and demonstrates the effectiveness of utilising technology to improve the interaction between members and officers. We did note some areas for consideration. Systems for monitoring the use of the Report Manager module could be improved and users of the module may benefit from a Frequently Asked Questions section and electronic query function to encourage an improved uptake of use. Ongoing action remain to change the look and feel of the website / intranet site to bring it into line with the rest of the Council's and this work is ongoing with ICT as part of the digital by design project.
Payroll	Moderate	High 2 Medium 3 Low 0 Total 5	Overall our review has confirmed that an adequate control framework has been put in place by the People and Organisation Development (POD) service to minimise risks and to assure the accuracy and legitimacy of payroll transactions. Our review identified a range of positive process updates and improvements that is helping to minimise risks inherent in any payroll system. Our review found arrangements are in place for the development and training of staff, continuous review of working processes and procedures as well as incentivising services to move to the self-service system which were all designed to reduce risks of errors and improve efficiency. Checks and balances are applied during the payroll processing run designed to identify and correct errors before payment run. Robust controls are applied over access permissions to the iTrent system and adequate separation of duties are in place within the POD service which minimise the risk of ghost employees being set up. However there remain a small number of payroll transactions which are made inaccurately to staff and overpayments to staff currently employed by the Council and those leaving the Council. It must be stressed that errors are generally made by departments and not the payroll function itself. The POD service is aware of the causes for most of these errors and has been working with services and within their own teams to reduce these errors. Management have agreed to establish an improvement plan and to capture statistics on a six monthly basis in order to monitor ongoing improvements against agreed targets.

Review	Overall Opinion	Recommendations		Summary
Licensing & links to safeguarding of children	Moderate	High 1 Medium 4 Low 1 Total 6		A robust process is in place to ensure only "fit and proper persons" are permitted to hold taxi licences through the use of disclosure barring checks, with suspension used if these are not renewed on a timely basis at three yearly intervals. All details are recorded on the Civica's Core Information Management and Back Office System Software (APP) system. Allegations and complaints against taxi drivers and personal licence holders are recorded on the APP system, with particular details being stored separately off the APP database to comply with data protection but can be retrieved easily on a case by case basis. The APP system contains sufficient data to assist management in identifying those taxi drivers where licenses are due to expire and those where disclosure barring checks are due for renewal. However there are no management reports generated from the APP system which highlight any emerging trends of driver behaviour based on number of allegations or complaints lodged against them. Whilst there are informal arrangements in place to share information between the licensing team and other partners such as the Multi-Agency Safeguarding & Support Hub MASSH, there are not always the two–way information flows that should be in place. There is no formal documented information sharing protocol that could assist in raising the licensing team profile with respect to preventing and enforcing CSE and to ensure sufficient follow through and information exchange with agencies on individual cases. Training is provided to Licensing committee members annually and team briefings are held. However there is no formal CSE awareness training sessions to committee members, staff and taxi drivers. We have made recommendations to address these and an agreed action plan is in place for full implementation by end of June 2016. We will follow this up in due course.
Council Tax & Business Rates	Substantial	High 0 Medium 1 Low 0 Total 1		Testing confirmed that there are appropriate controls in place around the annual billing process, daily cash balancing and posting process, suspense account review and monitoring, reconciliation of property valuation changes, and authorisation of business rates refunds and write-offs. It was confirmed that an issue identified in the previous audit review relating to the use of inhibits (staff inputting long standing dates such as 31/12/2050) had been addressed in that the process is now driven by workflow system through the Civica system and the vast list of previous inhibit codes has been replaced with a reduced and more appropriate number for use. We were informed that there was still a backlog of accounts with long standing dates and these were being data cleansed on an ongoing basis. We made one recommendation and this relates to the need for a periodic review of access rights to the Civica system and in particular, the need to review the use and access of generic user names to ensure they are appropriate. We have confirmed that a security review has been undertaken which was completed in February 2016.
Safeguarding	Moderate	High 0		Our review has concluded there are appropriate arrangements in place to ensure partnership agencies are meeting their responsibilities around safeguarding Looked After Children (LAC). There is discussion

Review	Overall Opinion	Recommendations	Summary
		Medium 1 Low 3 Total 4	and action taken to identify and manage emergent risk areas. The arrangements to ensure staff are appropriately trained are sound. Single and multi-agency training is available and tailored to roles and responsibilities. Review of current training events showed the overall programme is responsive to local needs as well as factoring in national findings. The arrangements to safeguard those absent from education or placements are driven by defined protocols. These are operating as intended for LAC educated within the borough and those that attend out of borough education establishments.
Budgetary control	Moderate	No recommendations	We found that there is a robust system in operation to ensure that budgets are produced timely for authorisation by the full Council before the start of the financial year and there is an adequate system for monitoring the longer term position. The move to self-sufficiency for budget managers is an on-going project that is at an early stage and we performed the audit taking account of that position. The move is towards quarterly monitoring along with quarterly meetings taking place between Management Accountants and the budget managers prior to completion of financial reports. In some cases interim budget statements are produced and sent to the budget managers each month but meetings are not held between quarters. However, services within Adult and Children social care intend to expand their current monthly reporting, monitoring and meetings due to the volatility of some key elements of their budgets. We agree that the approach of more frequent involvement of Management Accountants, based on the budget risk, is a suitable short term approach but over the longer term budget managers' longer term dependency will need to be discouraged.
Stockport Property Alliance (SPA)	Moderate	High 0 Medium 3 Low 1 Total 4	Our review confirmed adequate arrangements in place for monitoring key projects, challenge of financial savings, and management of risks to the SPA and specific projects. One of the key objectives of SPA is to save 30% on the Single Property Budget (SPB) and reporting arrangements focuses on these savings. In future, business cases for individual projects need to better align to the overarching goals of the SPA and savings on projects are tracked. The SPA has other objectives though and it is important that future project business cases articulate how they will address these other aims and objectives. We have made recommendations around improving the clarity over reporting savings and for a comprehensive log and action tracker to be maintained on a regular basis.
Early Years Entitlement Funding	Moderate	High 0 Medium 3 Low 0	Our review confirmed that the Council's policy for the early years funding scheme is contained in the Provider Agreement and that SMBC staff follow established processes for obtaining and processing termly claims and making payments. Published timetables clarify what providers need to return and when to facilitate the payments process. Our sample testing confirmed that providers had returned a

Review	Overall Opinion	Recommendations	Summary
		Total 3	signed agreement. Providers send in a paper form termly detailing all places claimed for under the scheme. These are input into an Excel spreadsheet to calculate payments due. No checks are undertaken to ensure that places claimed for in the term are substantiated by register data and no physical site checks are undertaken to validate any headcount. The move to an online system will remove the stage of the process where providers send in a paper headcount form which is then input into Excel to calculate claims. Instead providers will use a web portal to input and submit their own returns. As no validation checks are currently undertaken on paper returns, this change will not weaken controls. However, we recommended a system of checks at providers is introduced, as well as automating as many checks as possible. Management have represented to us that they are aware of these risks but at the present time cannot commit resource to undertake the recommended checks. This will be re-evaluated after the new online system is implemented.
Health & Safety	Moderate	High 2 Medium 6 Low 2 Total 10	The Health, Safety and Wellbeing (HS&W) Team now consists of highly experienced and suitably qualified people but the team only commenced from January 2015 with two key vacant positions remaining unfilled until October/November 2015. The present system is part way into a planned programme of upgrade having addressed a substantial number of the potential weaknesses as identified in the 2014 Carillion report. However, there remain key actions that are in the process of development and introduction which is currently being addressed by the implementation of the LAGAN computerised case management system along with the awareness promotion of the electronic incident reporting system and the launch of near miss reporting in January 2016. An action plan was agreed for implementation between January 2016 and April 2016. Our follow-up in April 2016 confirmed that five recommendations have been implemented with another five progressing towards completion. Where action has not been completed by the original date, this is because of the greater than expected work involved or increased scope of the linked tasks.
Client monies in learning disabled tenancies	Moderate	High 0 Medium 4 Low 1 Total 5	Our review confirmed that there are appropriate arrangements in place for the management of clients' monies. Our review of client's records found that there were no single supporting record held at the supported tenancy property to confirm the financial profile & circumstances of each client, and that in some cases a financial risk assessment were undertaken but not always completed to a good standard. For the sample of transactions examined, it was found that in most instances, there was adequate documentation and evidence to support why the transactions had taken place and there was some

Review	Overall Opinion	Recommendations	Summary
			evidence of independent checks carried out. However, testing of the supporting records identified a number of issues, in particular around lack of Lasting Powers of Attorney or Court Orders documentation, not completing bank reconciliation, lack of timely and periodic checks and missing bank statements. We have made a number of recommendations to address these issues and management has agreed to implement this. Our recent follow-up confirmed that 3 recommendations have been implemented and good progress is being made to address the remaining 2 recommendations which is due for completion by end of July 2016.
Strategic anti-fraud and corruption	Moderate	High 2 Medium 2 Low 0 Total 4	Steps have been taken by the council to establish anti-fraud and corruption policies which set out to create and embed an anti-fraud culture throughout the organisation and to ensure all staff and members are aware of the impact of fraud. Roles and responsibilities of staff, management and elected members for countering fraud and corruption are clearly defined within the anti-fraud and corruption policies. Our survey has identified that • 40% (16% in 2008) of respondents think that responsibilities for managing fraud are well defined • Approximately 50% (50% in 2008) of respondents are satisfied that management has identified the specific fraud risks in their departments and implemented specific controls to prevent and mitigate the risks their department faces • 94% (88% in 2008) of respondents if they suspected a fraudulent activity would report it. However only 70% (85% in 2008) of staff feel confident or somewhat confident they have the necessary knowledge and experience to identify the warning signs of potential fraud. Overall, a high number of staff reported a general lack of fraud awareness in particular around what fraud risks are, what controls are in place to mitigate these fraud risks, who is responsible for managing fraud risks, what to look for in terms of warning signs of potential fraud and clarity over mechanisms for reporting incidents. The approved 2016-17 Audit Plan includes 15 days for Internal Audit to deliver fraud awareness training to staff across the Council.
Minimum level of adherence to statutory duties	Moderate	High 2 Medium 0 Low 0 Total 2	Our review found that, although there have been substantial organisational changes, the Council has maintained cover in respect of the minimum level of statutory duties, as identified by the Department for Communities and Local Government plus key relevant subsequent legislation changes made up to the time of this audit. There are procedures in place to help ensure that relevant statutory duty requirements are identified and assigned to the accountable officers as part of their roles and responsibilities. In the main, officers interviewed confirmed that arrangements were in place to continue to cover statutory requirements in respect of those presently known and planned organisational changes. For the areas tested, we found

Review	Overall Opinion	Recommendations	Summary
			that there are appropriate management reporting mechanisms in place to monitor and report on compliance with these duties. At present corporate directors and heads of service are not required to state, in the reports they refer to the Council for formal decision-making, that they have considered the impact of that decision on the Councils continued compliance with statutory requirements. We also noted that consideration of the impact on continued compliance with key statutory duties is not specifically referred to within business cases or project initiation documents. Management have implemented our recommendations.
Implementation of Care Act	Substantial	High 0 Medium 1 Low 0 Total 1	Our audit confirmed that the Council has put into place a system to address the additional requirements of phase 1 of the Care Act. We confirmed that care and support plans are produced and issued to the relevant individuals for the sample tested. Our testing confirmed that light touch reviews are performed for those cared for at the 6 to 8 weeks stage and then the cases are flagged for annual review. We have found that the Council is currently complying with the • transitional elements of the Act with respect to reassessing existing care plans • Care Act 'wellbeing principle' • new carers assessment process We note that there is some uncertainty as regards ensuring that annual reviews specific to carer support plans are set to take place, whilst there is a compensating control through the review process of the service user, but recommended that controls around these annual reviews should be strengthened. The Care Act requires that local authorities must ensure that an expert is involved in the assessment of adults who are deafblind. We note that the Council is presently reviewing and enhancing its arrangements in respect of those people with sensory loss.
Debt recovery arrangements	Limited	High 1 Medium 5 Low 2 Total 8	It was found that, in the main, adequate recovery action is being taken by the Recovery Team staff to pursue unpaid invoices and adequate notes are maintained on the SAP Accounts Receivable system to support any action taken. However, for a number of old unpaid invoices it was found that appropriate recovery action had not been taken for some time. We recommended that action from senior management to resolve these either by writing them off or raising a credit note was required and this was agreed. In general, this issue is indicative of part of an overall issue within the Council in terms of a lack of accountability and ownership of debt and the need to resolve them on a timely basis. We made a number of recommendation around • Refresh of guidance on debt recovery procedures in particular clarification of responsibility and accountability

Review	Overall Opinion	Recommendations	Summary
			• Proactive action to be led by Finance staff with budget managers being held accountable for recovery of debt • Improving the SAP functionality over "invoices on hold" functionality • Establishing best practice recovery procedures for recovering staff overpayments These have been accepted and Internal Audit will undertake a follow-up of progress towards these during August / September 2016
Public Health	Substantial	High 0 Medium 1 Low 0 Total 1	We confirmed that roles in the new public health service in the Council are clearly allocated and accountability aligned with those responsibilities. There is both capacity and capability available to help the council fulfil its public health objectives, particularly since additional NHS staff has transferred over to the Council in 2015-16. There are adequate links between public health and environmental health based on historical working arrangements which has been improved since the changes made by the Act. We noted that an appropriate set of outcome measures are in place and that these are monitored by the Health and Wellbeing Board and the Health and Wellbeing Scrutiny Committee. The reports are issued through the Scrutiny Committee as part of the Performance and Resources management framework.
Effectiveness of invoice processing	N/A	High 0 Medium 3 Low 1 Total 4	We observed and confirmed the process for the production of the January 2016 prompt payment figures [invoices paid within 30 days], standing at 92.61% for the month against the 95% target. In addition, the figure for local businesses [those with SK postcodes] paid within 10 days was 76.11% against the 85% target. We noted a number of issues around not using the PECOS system to raise purchase orders which impacts on the ability of the SAP system to automate payments to the supplier. In addition, the process for deliveries of goods/services and despatch of invoices to any Council location means that the PECOS system is not well accessed on a timely basis to confirm receipt of these goods/services nor is the procedure for processing invoice to payment efficient. The Council does not have the facility to handle Electronic Data Interchange [EDI] invoices. At present, where an electronic invoice is received it is in the form of an email attachment. On receipt, it is printed off and the data manually transcribed and the invoice then scanned. Management highlighted that implementation of EDI is an EU statutory requirement for all public sector bodies by November 2019. Consequently EDI will be covered by the Digital by Design project as part of the creditor system review for implementation by 30th April 2017.

Review	Overall Opinion	Recommendations	Summary
Housing benefits	Moderate	No recommendations	Overall, we are of the opinion that there are appropriate controls in place with respect to complying with the process for risk based verification of claims, ensuring data input to the benefits system is accurate and complete and the process for managing overpayments including correct classification for subsidy purposes. Our review confirmed adequate quality assurance checks are in place. We have been informed that there has been an issue regarding the incorrect classification of overpayments which has resulted in a qualification from the Council's external auditor. As a result of this, a more robust process for the checking and verifying of the classification category is now in place. In addition, staff training is being provided to help raise awareness and address any development issues. Although we have not made a specific recommendation regarding this issue, we advise that management ensures that the level of quality assurance checks remains sufficiently robust to ensure that a repeat of the qualification does not reoccur.