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REPORT OF THE CHIEF FINANCE OFFICER  
AND  
HEAD OF INTERNAL AUDIT

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TO THE AUDIT & ACCOUNTS COMMITTEE  
ON WEDNESDAY 26<sup>th</sup> JUNE 2019

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**TITLE:**

INTERNAL AUDIT PROGRESS REPORT MARCH 2019 to JUNE 2019

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**RECOMMENDATIONS:**

Members are requested to consider the contents of the report.

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**EXECUTIVE SUMMARY:**

The purpose of this report is to inform Members of the resources utilised by Internal Audit during 2019/20, the activities undertaken in the reporting period, and the status of work currently being undertaken.

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**BACKGROUND DOCUMENTS:**

Audit & Accounts Committee reports  
Internal Audit's management information systems

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**KEY DECISION:** NO

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**DETAILS:** N/A

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**KEY COUNCIL POLICIES:** N/A

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**EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:** N/A

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**ASSESSMENT OF RISK:**

Internal Audit projects are managed within the Unit's risk based audit protocols aimed at giving assurance regarding the management of the City Council's key business risks.

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**LEGAL IMPLICATIONS** Supplied by: Nicky Smith, Senior Solicitor

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs. The Accounts and Audit Regulations 2015 also require authorities to ensure that they have a sound system of internal control which -

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance.

In that regard, the Public Sector Internal Audit Standards (CIPFA/IIA) requires an authority's chief audit executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must include both internal and external assessments. Internal assessments include the ongoing monitoring of the performance of the internal audit activity.

The purpose of this report is to inform Members of the resources utilised by Internal Audit between March 2019 and June 2019, the activities undertaken in the reporting period, and the status of work currently being undertaken.

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**FINANCIAL IMPLICATIONS** Supplied by: Jean Gleave Head of Internal Audit

The audit plan is funded from within the revenue budget and there are no additional financial demands resulting from this report.

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**PROCUREMENT IMPLICATIONS** Supplied by: Christine Flisk, Procurement Manager.

There are no known procurement implications with this report.

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**HR IMPLICATIONS** Supplied by: Catherine Sharples, HR Manager

There are no known HR implications arising from this report.

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**OTHER DIRECTORATES CONSULTED:** N/A

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**CONTACT OFFICER:** David Smith, Internal Audit Manager (0161-607-6969)

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**WARDS TO WHICH REPORT RELATES:** N/A

## Internal Audit Progress Report – 26<sup>th</sup> June 2019

### INTRODUCTION

This report provides Members of the Audit & Accounts Committee with details of the resources utilised by Internal Audit and outcomes, including work reported in this period, work currently being undertaken and new work commenced.

Appendix 1 provides details of the progress and status of the audit reviews on the proposed 2019/20 plan. Details of the progress and status of the audit reviews on the 2018/19 Plan have been provided in the Annual Report.

As reported previously, we have moved audits that we were unable to undertake in 2018/19 into the proposed 2019/20 Plan, following confirmation from senior management that they remain appropriate. This includes work that commenced in 2018/19 and has / will be completed during 2019/20.

Members should note that there is a shortfall in the audit team's resources earlier in the financial year due to sickness.

Internal Audit continues to respond to matters requiring special investigations.

### Audits Completed and Reports Issued

Table 1 below summarises the audits that have been finalised since the last meeting of the Audit and Accounts Committee, and the corresponding number of agreed actions and overall level of assurance provided for each of those audits.

Summary Reports have been provided to Committee Members for each of these reviews.

We have also issued a draft report for Cyber Security. The audit assessed the council's arrangements against the 'Cyber Essentials' framework and highlighted areas for improvement. We are awaiting agreement to the proposed action plan.

Table 1: Reports Issued

Audit	Number of agreed actions and priority					Level of Assurance
	Critical	High	Medium	Low	Total	
Debt Recovery & Write offs	-	-	-	-	-	High
Budgetary Control	-	1	4	-	5	Satisfactory
Capital Governance	-	-	2	-	2	Satisfactory
Emergency Planning	-	3	1	-	4	Satisfactory
Lewis Street Primary School	-	-	5	3	8	Satisfactory
St Patricks RC High School	-	5	3	4	12	Limited
Total:	-	9	15	7	<u>31</u>	

The level of assurance given to each audit is a balanced judgement based upon the established system of controls, the subjects' approach to risk management, and the nature of any recommendations made and actions agreed. (See Appendix 2 for explanations of the different levels of assurance).

Actions are classified over the categories of critical, high, medium, and low. See Appendix 3 for explanations of the different levels of priority.

## Internal Audit Progress Report – 26<sup>th</sup> June 2019

The agreed actions are designed to improve the control environment and/or improve ‘value for money’ within the client’s area of responsibility and we are pleased to report that all of the actions made in this period have been agreed by management.

Our audit reports include an action plan that records the detail of our findings, the agreed action that management intend to take in response to these findings and the timescale to undertake such action. This provides a record that progress can be measured against when we undertake our Post Implementation Reviews or follow-up work.

### POST IMPLEMENTATION REVIEWS

Internal Audit undertakes Post Implementation Reviews (PIRs) of services or systems that have been subject to an audit.

We have included information below summarising the PIR that has been finalised in this period.

The information includes the number of agreed actions and the number of those actions now implemented or outstanding. It also provides an indication of the direction of travel regarding the overall level of assurance.

More detailed Committee Summary reports have been provided to Committee Members for each of these ahead of this meeting.

#### Inventory Management – Commercial Catering (Citywide Services)

Actions	Priority					Direction of Travel	
	Critical	High	Medium	Low	Total	Audit	Indicative
Agreed	-	3	5	-	8	Limited	High
Implemented	-	3	5	-	8		
Outstanding	-	-	-	-	-		

Guidance notes:

- The timing of a PIR is determined by the agreed implementation dates, detailed within the original audit report, and is generally undertaken within six months of the audit.
- PIRs only confirm the action taken to resolve the issues highlighted within our report and does not check that the rest of the control framework remains as robust as it was at the time of our original review.
- The PIR can take the form of an actual site visit by Internal Audit to verify the implementation of agreed recommendations or alternative follow-up, for example the client undertaking a self-assessment of implemented recommendations and reporting their outcomes to Internal Audit.
- The summaries include an indicative assurance ‘direction of travel’ following the Post Implementation Review. This provides a measure of the value added through the implementation of the agreed actions within our reports. It shows the level of assurance that we provided in our original report and the level that we expect we would now be able to provide if we undertook a full audit again. It takes into account the action taken to address matters raised in our original report. However, it should be noted that this is indicative only and may not reflect the actual current position.

## **Internal Audit Progress Report – 26<sup>th</sup> June 2019**

### **OTHER WORK**

This section details other work completed by the audit team during the period.

#### **Payroll Testing on behalf of the External Auditor**

In keeping with previous years, we have supported the annual audit of payroll by Grant Thornton by undertaking some specific audit tests on the payroll system.

#### **School Audits 2018/19 – Annual Summary**

We have undertaken an analysis of the school audits undertaken during 2018/19 and provided the People Service Group with a summary.

#### **Information Governance and Data Security**

We continue to provide advice and consultative support to the council's arrangements for information governance and its response to the Information Commissioner's Office (ICO) inspection in March 2018.

#### **Squads & Transformation**

Internal Audit is currently involved in three 'squads', providing consultancy advice or independent assurance as/when our input is appropriate.

- Transparency
- Early Help (Children)
- People Services.

### **AUDIT WORK RECENTLY STARTED**

Since the last meeting of the Audit and Accounts Committee, terms of reference have been finalised for the following audit work:

- **Pensions (Contribution Payments to Providers)**

The scope of the audit is focused on the following control objective:

- Returns made to the providers are accurate, complete and timely.

In addition, we will seek to provide an updated position with respect to the council's response to GMPF's audit recommendations.

- **Schools**

Appointments have been made in respect of the following school audits. The reviews are scheduled to be completed prior to the summer break:

- New Broadwalk Pupil Referral Centre
- Lark Hill Primary School
- Boothstown Methodist Primary School
- St Andrews Boothstown CE Primary School
- Ellenbrook Primary School.

**Appendix 1: Audit Plan 2019/20**

Audit / Activity	Timing	TOR	Reported	Assurance	Comments
<b>CORPORATE GOVERNANCE &amp; RISK</b>					
Governance Arrangements / AGS	Ongoing	n/a			
Risk Management and Assurance Framework	Ongoing	n/a			
Information Governance (General Support)	Ongoing	n/a	n/a	n/a	
Transformation, Change & Squads Support (General)	Ongoing	n/a	n/a	n/a	
Business Continuity ( <i>bf</i> )	Ongoing	27/10/17	TBC	TBC	Staged review, shadowing implementation
Partnerships & Assurance Framework	Q1-Q4				
<b>CORE FINANCIAL SYSTEMS</b>					
Debt Recovery and Write-offs ( <i>bf</i> )	Q1	23/01/19	2805/19	High	
Payroll Function (Starters & Leavers) ( <i>bf</i> )	Q1	20/08/18	TBC	TBC	Reporting
Accounts Payable (Creditors)	Q2				
Business Rates (Service Redesign) ( <i>bf</i> )	Q2/Q3				
Payroll Function (Change of Details) ( <i>bf</i> )	Q2/Q3				
Council Tax (Service Redesign) ( <i>bf</i> )	Q3/Q4				
Payroll Function (Lifecycle) ( <i>bf</i> )	Q3/Q4				
Main Accounting System ( <i>bf</i> )	Q4				
Housing Benefits (Service Redesign) ( <i>bf</i> )	Q4				
Payroll Function (Payments) ( <i>bf</i> )	2020/21				
<b>GRANTS &amp; COMPLIANCE WORK</b>					
Local Growth Fund	Q2	n/a			
Local Authority Bus Subsidy (Revenue Grant)	Q2	n/a			
Cycle City	Q2 & 4	n/a			
Greaves Trust	Q3	n/a			
Empty Homes (Grant)	TBC	n/a			

Audit / Activity	Timing	TOR	Reported	Assurance	Comments
<b>SERVICE REFORM</b>					
Contract Management	Ongoing	n/a	n/a	n/a	
Pensions ( <i>bf</i> )	Q1	Draft	TBC	TBC	
Statutory Returns (Data Integrity and Resources)	Q1	Draft	TBC	TBC	
Corporate Complaints ( <i>bf</i> )	Q2/Q3				
Modern Slavery	Q3				
Community Awards (Assurance to Sponsors)	Q4				
Member Allowances / Payments	2020/21				
Agency Workers	2020/21				
Planning, Risk and Performance ( <i>bf</i> )	2020/21				Potentially a joint review with the CCG. Developing public reporting/ transparency.
<b>Information Technology</b>					
Cyber Security 2018/19 (Detailed NIST) ( <i>bf</i> )	Q1	30/08/18	Draft	TBC	Draft report / awaiting management response
Software Asset Management ( <i>bf</i> )	Q1	18/02/19	TBC	TBC	Fieldwork
Information Security Management Standard (ISMS)	Q2				Awaiting start date from ICT management
Cyber Security 2019/20	Q3/Q4				
PCI Compliance	Ongoing	n/a	n/a	n/a	Quarterly Scans
Social care application upgrade / replacement ( <i>bf</i> )	Ongoing	n/a	n/a	n/a	On-going consultative support. The new application is now out for tender
SAP Security Management ( <i>bf</i> )	TBC				Pending IT Services' role based review.
Disaster Recovery ( <i>bf</i> )	TBC				Pending the Business Continuity review
IT Strategy ( <i>bf</i> )	TBC				Pending new IT Strategy
Incident Management	TBC				
IT Change Management	TBC				
New Service Desk Application	TBC				

Audit / Activity	Timing	TOR	Reported	Assurance	Comments
<b>PLACE</b>					
Citywide – Inventory Management PIR ( <i>bf</i> )	Q1	n/a	04/06/19	High *	
Regulatory Avoidance by Businesses ( <i>bf</i> )	Q1	06/02/19	TBC	TBC	Fieldwork
CCTV Control Room (ISO Compliance)	Q1	n/a	TBC	TBC	Fieldwork
SCL Client Side Function	Q1	TBC	TBC	TBC	Planning
Carbon Reduction Commitment 2018-19	Q2	n/a			Annual review
Empty Homes (Processes)	Q3				
Mercury Abatement Regulations	Q4	n/a			Annual review
UV Transition Programme (Consultancy support)	TBC				
Major Projects	TBC				
UV Profit Share	TBC				
Section 106 Agreements	2020/21				
<b>PEOPLE</b>					
SEN - Direct Payments & Personal Budgets ( <i>bf</i> )	Q2/Q3	29/10/18	TBC	TBC	Reporting
Out of Borough Placements ( <i>bf</i> )	Q3/Q4	11/02/19	TBC	TBC	Reporting
Salford Assist ( <i>bf</i> )	Q4	06/03/19	TBC	TBC	Fieldwork
Homelessness (linked to Place) ( <i>bf</i> )	Q3/Q4	18/01/19	TBC	TBC	Fieldwork
Personal Budgets	Q2				
SEND - High Needs / Transition ( <i>bf</i> )	Q2/Q3				
Client Charging Policy (SCC/Integrated Care) ( <i>bf</i> )	Q2/Q3				
Helping Families (Troubled Families)	Q3	n/a			Planning with GMCA
Use of Section 17 Funds	Q4				
Pupil Modelling and Planning ( <i>bf</i> )	TBC				Links to the statutory returns review.
Community Grants	2020/21				
Youth Offending Services	2020/21				



Audit / Activity	Timing	TOR	Reported	Assurance	Comments
<b>PEOPLE (Establishments)</b>					
School Governance Support / Development	Ongoing	n/a	n/a	n/a	
Schools' Financial Value Statements (SFVS)	Q4	n/a	n/a	n/a	
Children's Homes	Q1-Q4	n/a	n/a	n/a	
New Broadwalk PRU	Q1	n/a	TBC	TBC	Fieldwork
Lark Hill Primary School	Q1	n/a	TBC	TBC	Fieldwork
Boothstown Methodist Primary ( <i>bf</i> )	Q1	n/a			Planning
St Andrews Boothstown CE Primary School	Q1	n/a			Planning
Ellenbrook Primary School	Q1	n/a			Planning
Summerville Primary School ( <i>bf</i> )	Q1	n/a			
Moorfield Primary School ( <i>bf</i> )	Q1	n/a			
St Ambrose Barlow RC High School	Q3	n/a			
St Andrews Eccles CE Primary School	Q3/Q4	n/a			
St Sebastian's RC Primary School	Q3/Q4	n/a			
North Walkden Primary School	Q3/Q4	n/a			
Grosvenor Road Primary School	Q3/Q4	n/a			
St George's CE Primary School	Q3/Q4	n/a			
St Thomas of Canterbury Primary School	Q3/Q4	n/a			
St Paul's (Crompton St) Primary School	Q3/Q4	n/a			
Willow Tree Primary School	Q3/Q4	n/a			
James Brindley Primary School	Q3/Q4	n/a			
Wharton Primary School	Q3/Q4	n/a			
Peel Hall Primary School	Q3/Q4	n/a			

\* Indicative level of assurance, based on the progress made since the original audit review

## **Appendix 2: Levels of Assurance**

<b>Level of Assurance</b>	<b>DESIGN</b> of the internal control framework		<b>EFFECTIVENESS</b> of the control framework	
	<b>Audit findings</b>	<b>Opinion</b>	<b>Audit findings</b>	<b>Opinion</b>
<b>High</b>	Appropriate procedures and controls are in place to mitigate the key risks.	There is a sound system of internal control designed to achieve objectives.	No or only minor exception found in testing of procedures and controls.	The controls that are in place are being consistently applied.
<b>Satisfactory</b>	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed, albeit with some that are not fully effective.	There is generally a sound system of internal control designed to achieve objectives, but with few exceptions.	A small number of exceptions found in the testing of procedures and controls.	There is evidence of non-compliance with some controls, which may put achievement of some of operational objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas.	The system of internal controls is weakened by some significant gaps.	A number of reoccurring exceptions found in testing of the procedures and controls.	There is poor compliance with controls and procedures which may put operational objectives at risk of not being fully achieved.
<b>Minimal</b>	For all risk areas there are significant gaps in the procedure and control. This will affect the effectiveness of organisation's overall control framework.	Overall, there is a poor system of internal control in place.	Due to the absence of effective controls and procedures, no reliance can be placed on their effectiveness.	There is a substantial non-compliance with controls and procedures or compliance with inadequate controls and procedures, which will likely put the council's objectives at significant risk of not being achieved.

**Appendix 3: Priority of Actions**

<b>Priority</b>	<b>Rationale</b>
<b>Critical</b>	Critical issue that could have a significant impact on a key system, function, or process objectives, and also the council's objectives.
<b>High</b>	Control weakness that could have a serious impact on a key system, function, or process objectives.
<b>Medium</b>	Control weakness that could have an impact on the achievement of a key system, function or process objectives or an issue, which, if addressed, would contribute towards raising the standard of internal control.
<b>Low</b>	Minor control weakness that does not have an impact upon the achievement of a key system, function or process objectives. Implementation of the recommendation would strengthen the control framework and/or improve compliance with existing controls.