

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 March 2013
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2013/14

Summary

The purpose of the report is to provide, at a high level, the proposed Internal Audit Operational Plan for 2013/14.

Recommendation

The Accounts and Audit Committee is asked to approve the 2013/14 Internal Audit Operational Plan

Contact person for access to background papers and further information:

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Background Papers:

Audit and Assurance reports
Internal Audit Terms of Reference and Strategy (2012)

Internal Audit Operational Plan 2013/14 – Audit and Assurance Service

1. Introduction

- 1.1 The 2013/14 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2013/14 Plan for approval.

2. Background

- 2.1 Each year the Audit and Assurance Service produces a report setting out its annual plan for approval by CMT and the Accounts and Audit Committee. Subsequent updates are then provided to CMT and the Accounts and Audit Committee through the year highlighting work undertaken and progress against key areas of the Plan.

3. Compilation of the Plan

- 3.1 The underlying principle in producing the Operational Plan is that the areas representing the highest risk to the Council are included. An important consideration is that the Operational Plan should include good coverage across Council services and systems. As in previous years, the current economic conditions and associated challenges faced by public services particularly highlight the need to ensure there are effective governance and internal control arrangements in place to ensure risks are minimised and value for money is achieved.
- 3.2 A number of factors are taken into account in compiling the Operational Plan based on both statutory obligations, the objectives of the Council and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account.
- 3.3 New developments such as changes in legislation and council responsibilities are considered in planning work. In 2013/14, issues relating to the transfer of Public Health responsibilities to councils and also changes in benefits arrangements including the introduction of a local council tax support scheme and a local welfare provision scheme will be covered within the Plan.
- 3.4 Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year, information provided in risk registers, self assessments and control / governance issues raised by individual services.
- 3.5 The Service has a number of obligations to take into account in producing the Plan. This includes the need to set aside time to meet the

requirements of the Accounts and Audit Regulations 2011 by facilitating the production of the Authority's Annual Governance Statement.

- 3.6 Plans also take into account other audit, assurance or development work being undertaken in particular areas. This includes for instance work by the External auditor and other developments across the Council.
- 3.7 The amount of time available to undertake the annual plan is identified, and individual areas of work selected on the basis of risk until available time has been utilised. This includes time taken into account to ensure there is adequate follow up of findings from work undertaken in the previous year. A contingency is also held to allow for unforeseen circumstances. Last year, most of the time allocated for contingency was utilised to accommodate a reduction in staffing when a vacancy for a full time post was not filled (the post having subsequently being deleted).
- 3.8 For reporting and monitoring purposes the plan is divided into a number of categories. Whilst the plan is divided into these categories it must be stressed that there are significant areas of overlap between them and assurance gathered from one source could apply to another. For instance, whilst there is a block of time allocated to procurement and value for money, such issues will also be covered to some degree within other areas of the plan such as reviews of fundamental systems; anti-fraud and corruption work and reviews of schools and other establishments.
- 3.9 It should be noted that there is a reduction in planned operational days in the Audit Plan, mainly due to the departure of one member of staff, the post having been subsequently deleted. (1450 planned days in 2013/14 compared to 1595 in 2012/13). This has resulted in a reduction in days in some areas of the Plan although given the reduction has been applied over a number of categories, in 2013/14 there is no significant reduction in any one specific category.
- 3.10 There is a variety of activities undertaken to fulfil the Audit Plan and in addition to conducting internal audit reviews, work also includes providing input to project / working groups, providing guidance and advice, and developing or providing input to council policies and procedures.
- 3.11 The report does not include reference to all work planned for the year. As issues are raised or areas of risks are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Quarterly updates to CMT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The Operational Plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report

are further detailed programmes of work for the individual categories listed in section 4, plus further plans detailing work allocated to individual staff.

- 3.12 It should be noted that there are a number of other activities undertaken that are not reflected in the analysis of planned days as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Grant Thornton), development of audit systems, procedures and guidance, networking with other Greater Manchester Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate time allocations are given to individual staff to undertake these activities.
- 3.13 Where key areas identified in the Plan are not undertaken as scheduled, this will be reported in subsequent updates and / or the Annual Internal Audit Report as necessary.
- 3.14 Finally, it should be noted that new standards for Internal Audit will be introduced from 1 April 2013, the Public Sector Internal Audit Standards. These will replace the existing CIPFA Code of Practice for Internal Audit in Local Government (2006). Through 2013/14, the Audit and Assurance Service will be reviewing its existing terms of reference, strategy and supporting procedures to ensure adherence to the Standards which will be reported on, as required, by June 2014 in the 2013/14 Annual Internal Audit Report. CIPFA are issuing accompanying guidance to the Standards in April 2013 and this will be taken into account as part of the process.

4. Operational Plan Coverage 2013/14

- 4.1 The Operational Plan is compiled to ensure coverage across a wide and diverse range of services, systems and thematic areas of coverage. Each of the main categories of work is described in the paragraphs below. In the appendix is a summary of all the planned work and an estimated time is allocated to each category. This includes an estimate of time profiled by quarter.

4.2 Fundamental Systems

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Work in the first part of the year will focus on completing 2012/13 system reviews as planned and towards the end of the year, work will commence on the 2013/14 reviews.

The following systems will be reviewed as part of annual reviews specifically covering 2012/13 with a report issued for each review:

Payroll, Treasury Management, Purchase to Pay, Accounts Receivable, Council Tax, Business Rates, Housing and Council Tax Benefits, Income Control, Personalised Budgets, General Ledger (Budgetary control and IT reviews),

Work relating to a number of other systems will be undertaken during the year. This will include completion of reviews commenced in 2012/13 or follow up of previous work undertaken. These reviews relate to Legal Debt Recovery, Let Estates, Insurance, Works Management, Softbox system (Communities and Wellbeing) and the Education FMS system.

Previous assurance obtained in earlier audits will be taken into account in planning the level of audit coverage within individual reviews.

4.3 Governance

In the first half of 2013/14, work will focus on reviewing and collating supporting evidence and assurances for the completion of the Council's 2012/13 Annual Governance Statement. As part of this, a Corporate Governance review will be completed using CIPFA/SOLACE guidance as a framework. (The guidance was updated and issued by CIPFA/SOLACE in December 2012). This identifies particular aspects of governance arrangements to review across the Council such as clarity of responsibilities and reporting arrangements, procedural issues, standards of conduct, management of risks, community engagement, workforce planning etc. The review will include following up on areas identified in last year's Corporate Governance review that were being developed or progressed. Work in support of producing the 2013/14 Annual Governance Statement will commence in the final quarter of the year.

There will also continue to be audit coverage of the Council's significant partnerships. In 2012/13, a review was completed in respect of governance arrangements in respect of the Trafford Local Strategic Partnership. There will be further follow up work of progress in implementing recommendations from this review which will also help inform future partnership related work.

Work was originally planned for the latter part of 2012/13 to undertake a review of CYPS partnership arrangements covering a Section 75 partnership agreement with health partners. In agreement with the Corporate Director for CYPS it was agreed, given a number of factors relating to the health reforms and changes in providers being used coming into effect from 1 April 2013, review work would be delayed until later in 2013/14. It is now planned that two Section 75 Agreements will be covered commencing in the second half of 2013/14, one covering commissioning and the other the provision of services.

In the last quarter of 2012/13, Audit and Assurance started to work with relevant services to monitor the transition arrangements in respect of the

responsibility for Public Health switching to the Authority from 1 April 2013. This included highlighting progress with the governance arrangements against an agreed due diligence checklist. It has been agreed that an allocation of time will be set aside for further review work in respect of the new public health arrangements. This may also impact on other areas of the audit plan including procurement and / or ICT related reviews.

Finally, where required, the Audit and Assurance Service will continue to review the quality of data provided by services to monitor performance. Where required, Audit will conduct checks for instance on the data provided on statutory returns. This will include the Carbon Reduction Commitment (CRC) reports the Council is required to submit.

4.4 Risk Management

Time is allocated to review existing risk management arrangements across the Council and ensuring processes are evidenced. This will include continuing to facilitate the ongoing update of the strategic risk register. This provides assurance in respect of the highest strategic risks faced by the Authority in terms of the management and ongoing monitoring of those risks. As part of this, there will also be ongoing liaison with individual Corporate Directorates to share good practice and gather assurance at a Directorate level that risk registers at that level continue to be maintained effectively.

The Service reviewed and updated the Council's Risk Management Policy Statement and Strategy at the end of 2012/13 and commenced the update of supporting guidance including, as planned, the completion of an e-learning tool. This will be shared, together with further updated guidance, with relevant officers across the Council's Corporate Directorates through the year and details will also be publicised across the Council. This will include further update of the Risk Management site on the Council's intranet.

4.5 Anti Fraud & Corruption

There are two important main strands in this category:

- To further develop the anti fraud and corruption culture within the Council by, for example, raising awareness corporately.
- To investigate referred cases.

In 2012/13, the Audit and Assurance Service reviewed and updated the Council's Anti-Fraud and Corruption Strategy. In 2013/14, the Service will continue to contribute to raising awareness across the Council of the Strategy and supporting guidance in order to promote measures to prevent, deter or detect instances of fraud and corruption.

Cases of suspected fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year.

The Service will continue to support the National Fraud Initiative and will report progress on this and other anti-fraud and corruption activity to the Accounts and Audit Committee in 2013/14.

4.6 Procurement / Value for Money

Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with the Council's Contract Procedure Rules and relevant legislation.

It is acknowledged that the Council is currently in discussions with a number of local authorities to collaborate in respect of undertaking procurement processes, with the proposed formation of a Strategic Procurement Unit. Audit and Assurance will therefore consider developments in this area as part of audit planning in liaison with the Strategic Procurement team.

Through 2012/13, Audit and Assurance has undertaken reviews of particular areas of spending, assessing processes in respect of adherence to the Contract Procedure Rules and where appropriate making recommendations for improvement. As part of ongoing audit planning and identification of further review areas, in the first quarter of 2013/14, through liaison with Strategic Procurement and relevant service areas and review of spend across the Council, further contracts reviews will be identified covering contract letting and monitoring arrangements. As referred to in 3.3, this will also include taking into account contracts in respect of Public Health. Further work which is planned / undertaken though the year (at least two contracts related reviews) will be included in quarterly updates to CMT and the Accounts and Audit Committee.

In terms of contracts reviews planned in to date, there will be a review of contract arrangements in respect of schools which obtain income from parking from major local sporting events in Old Trafford. This will include following up on reviews previously undertaken.

An audit review was undertaken in 2012/13 of contract monitoring arrangements for the Sale Waterside Facilities Management contract with Cofely, and also a review was completed on the use of the PQQ (Pre-Qualification Questionnaire) due diligence process used to assess contractor suitability at the early stages of the tendering process. Progress in implementing recommendations from these reviews will be followed up in 2013/14.

4.7 Information, Communications and Technology (ICT)

The audit of ICT is a highly specialist area covering the audit of procedures, processes and controls across a range of computer systems and technical solutions. Salford Audit Services undertake some of this work and also contribute to audit planning in respect of this area.

Audit work in the first quarter of the year will continue to focus on review work by Salford Audit Services of arrangements relating to the move of the ICT Data Centre from Friars Court to Trafford Town Hall.

Once new arrangements in the Town Hall have been established, further reviews will be agreed through a risk assessment in liaison with ICT. Audit and Assurance will provide an update on further work planned as part of its 2013/14 Quarter 1 report.

This block of work will also cover investigating cases of misuse of the Council's ICT facilities, ensuring members and staff are aware of responsibilities, such as in adhering to the council's Acceptable Use Policy.

Audit will continue to provide project assurance where required to project / working groups for corporate ICT developments. Advice / guidance on control issues relating to ICT related developments within individual service areas will also be given as required.

4.8 Schools

The Schools Financial Value Standard was introduced in 2011/12 and schools are required to submit evidence to support adherence to the Standard by 31 March 2013. Information submitted will be utilised by Audit and Assurance to assist in planning and undertaking future school audits.

Based on a risk assessment, taking into account the information above and from previous work undertaken at each school and liaison with CYPs and Finance Services, a minimum of 14 schools will be audited. This will include follow up work undertaken for schools where a less than adequate opinion was provided in 2012/13. The majority of school audits will take place from September 2013.

In addition to audits of specific schools, other thematic reviews relating to schools are included within other relevant sections of the Audit Plan (see other schools related work referred to within sections 4.6 and 4.10).

4.9 Establishments

The approach taken to auditing this area includes reviews of individual establishments and also central reviews taking into account processes on a service wide basis.

Within ETO there is a planned review of Sale Waterside Arts Centre in 2013/14 including review of the Box Office system introduced in 2012/13.

Within the Children, Families and Wellbeing Directorate, in the latter part of the year there will be audits of two of the Council's children's centres.

Within EGP, there is a planned audit review Altrincham Market, which will include assessing progress in implementing previous audit recommendations made.

Risks reviewed will encompass a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing; income collection and recording and other areas specific to the service under review.

There will also be time allocated for the completion of any reviews in progress / carried forward from 2012/13 (which will be highlighted in the 2012/13 Annual Internal Audit Report). Reports relating to the audit of one children's home and one youth centre are planned to be issued later in 2013 relating to areas included in the 2012/13 Plan.

Further time will be allocated if necessary for other establishment reviews, dependent on priorities, including accommodating audits following issues raised during the year.

Where appropriate, there will be follow up work in respect of establishment reviews previously undertaken.

4.10 Assurance – Other Key Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the Plan, including Directors / senior managers' recommendations, risk registers (Strategic and Directorate Risk Registers), and internal audit risk assessments.

Reviews planned include the following:

- Review of arrangements established from 2013/14 to manage the local welfare provision scheme which is under the responsibility of local authorities, replacing the DWP Social Fund.
- Audit of arrangements for staff car parking given the introduction of charges.
- Two reviews in respect of licensing arrangements, one a review covering processes for administering applications for private hire / hackney carriage drivers licenses and another reviewing street traders licenses.
- A service review of school catering in respect of processes both in respect of income collection and monitoring (including coverage of the recently introduced ParentPay system), expenditure and performance monitoring.

For the above reviews, Audit and Assurance will contact individual services to discuss and agree the detailed scope of the reviews prior to any work being undertaken.

There will also be time allocated for the completion of any reviews in progress / carried forward from 2012/13 (which will be highlighted in the 2012/13 Annual Internal Audit Report). Reports expected to be issued later in 2013 relating to areas included in the 2012/13 Plan will be:

- Corporate Health and Safety review
- Audit of Youth Offending Service

Where appropriate, follow up work in respect of reviews previously undertaken in 2012/13 will be undertaken. This will include follow up reviews of:

- Section 17 Payments (payments administered by CYPS under Children's Act 1989)
- Section 106 Planning Agreements

There will also be time set aside to review other potential risk areas as raised through 2013/14.

4.11 Service Advice / Projects

The Audit and Assurance Service provides advice across the Council on governance and control issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, input to project groups and liaison with other services including the Transformation team. Significant areas of work undertaken will be reported as part of 2013/14 updates to CMT and the Accounts and Audit Committee.

4.12 Financial Appraisals

The Service will continue to liaise with the Strategic Procurement team to support the process of evaluating the financial position of contractors and potential providers.

2013/14 Operational Audit Plan – Allocation in Days

Appendix

Category	Details	<u>Impact of Audit and Assurance's work</u>	<u>Planned Days</u> (Profiled by each quarter of year – Q1/Q2/Q3/Q4)
Fundamental Systems	Completion of annual (2012/13) fundamental systems reviews and other system reviews. Planning and commencement of 2013/14 fundamental systems reviews.	Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council's position in respect of its external audit review.	200 (75/40/35/50)
Governance	Corporate Governance Review. Collation of supporting evidence and production of the 2012/13 Annual Governance Statement Audit reviews of governance arrangements for the Council's significant partnerships.	Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities. The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities. Provision of assurance on the effectiveness of partnership governance arrangements. Supporting the achievement of Council and Trafford Partnership priority outcomes.	100 (40/15/15/30)
Corporate Risk Management	Progression of actions to support the Council's Risk Management Strategy including review of risk management processes and awareness raising and provision of guidance to services and partnerships	Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the allocation of resources. The work also supports the Council in evidencing good practice undertaken when subject to external audit review.	40 (10/10/10/10)

	Facilitating the updating of the Council's strategic risk register.		
Anti Fraud & Corruption	<p>Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption.</p> <p>Continued work in supporting the National Fraud Initiative.</p> <p>Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.</p>	Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption. Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.	180 (40/45/45/50)
Procurement / Value for money	Review of procurement / contract management arrangements across the council including systems in place and associated arrangements to secure value for money.	Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.	100 (10/20/30/40)
ICT Audit	<p>Reviews to be completed in line with the ICT audit plan.</p> <p>Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.</p>	Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems. Assurance to managers who place significant reliance on ICT systems for the delivery of services.	100 (20/25/20/35)
Schools	<p>School Audit reviews</p> <p>Support the Council in raising awareness with schools of the new DfE Schools Financial Value Standard.</p>	Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by DfE.	190 (25/30/70/65)

Establishments	Reviewing governance and control arrangements across a range of establishments.	This work enables Internal Audit to provide a breadth of assurance across the Council that there are effective governance and control arrangements in place, that policies and procedures are being implemented, that risks are being managed, and outcomes delivered.	80 (10/20/20/30)
Assurance – Other Key Business Risks	Selected on the basis of risk from a number of sources including senior managers’ recommendations, risk registers and internal audit risk assessments. Reviews will include authority wide issues and areas relating to individual service areas.	Improvement in the delivery of objectives and outcomes in areas where risks are identified.	150 (20/45/45/40)
Service Advice / Projects	General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	Support to services around the relevance and application of corporate policies, procedure rules and good governance arrangements. Contributing to the delivery of effective project outcomes ensuring key risks are taken into account and appropriate controls considered in the development of new systems, functions and procedures.	110 (27/27/28/28)
Financial Appraisals	Financial Assessments of contractors and potential providers	Assurance to services on the financial viability of contractors and potential providers Reducing risk in procurement and delivery of services across the Council	70 (17/18/17/18)

		Total Allocated Days	1320 (294/295/335/396)
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	130
		Total Planned Days	1450
		Available Days	1450
		Surplus/Deficit for Year	0