

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 3 February 2021
Report for: Discussion
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period October to December 2020.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period October to December 2020.**
- **To provide ongoing assurance to the Council on the adequacy of its control environment.**

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Email: mark.foster@trafford.gov.uk

Background Papers: None

Background Information

Implications:

Relationship to Corporate Priorities	The scope of the work of Internal Audit may cover all of the Council's corporate priorities.
Relationship to GM Policy or Strategy Framework	Where appropriate, Internal Audit will liaise with GM partners and where applicable, undertake joint working in carrying out planned work.
Financial	<p>In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council "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." The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS).</p> <p>The work of internal audit may cover a diverse range of service areas, functions and areas of risk covering both financial controls and wider aspects of internal control, risk management and governance.</p>
Legal Implications	See Financial Implications
Equality/Diversity Implications	See above
Sustainability Implications	See above
Carbon Reduction	See above
Staffing/E-Government/Asset Management Implications	See Above
Risk Management Implications	See Above
Health and Safety Implications	See Above



TRAFFORD
COUNCIL

Audit and Assurance Service Report October to December 2020

Date: January 2021

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between October and December 2020 and highlights progress against the 2020/21 Internal Audit Plan to date. At the end of the year, these update reports will be brought together in the Annual Head of Internal Audit Report which will give the opinion on the overall effectiveness of the Council's control environment during 2020/21.

2. Planned Assurance Work

It should be noted that the 2020/21 Internal Audit Plan was produced prior to the start of the COVID-19 pandemic lockdown in March 2020 and consequently, elements of the plan are subject to ongoing review and revision. This is reflected in Sections 3, 6 and 8 of this report.

Key elements of the 2020/21 Work Plan produced in March 2020 include:

- Fundamental Financial Systems reviews.
- Review work in relation to the 2019/20 Annual Governance Statement
- Continued input to and review of risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- Audit reviews in respect of ICT and information governance.
- Anti-fraud and corruption work, including the National Fraud Initiative.
- School audits and other establishment audit reviews.
- Grant claim certification work
- Audit reviews of other areas of business risk.
- Provision of guidance and advice to services across the Council.

3. Main areas of focus – October to December 2020

Work in this period has included progressing a number of planned internal audit reviews. There have been delays to progressing some of this work, both due to commitments of other services as well as Audit during this time given the COVID-19 response. All audit opinion reports produced or in progress are listed in Section 5 and other key areas of audit work undertaken are referred to in Section 6.

Significant time has continued to be spent in providing support to the Council's response to the COVID-19 pandemic. During November 2020, Audit and Assurance provided support to the Council's Exchequer Services in completing checks supporting the administration of the payments of COVID-19 Business Rates Grants in respect of the Local Restrictions Support Grant. During December 2020, Audit staff also provided assistance to the Strategic Growth team in completing checks to support the processing of applications for the payment of grants to local businesses in respect of the Additional Restrictions (Discretionary) Grant Scheme. This is also continuing during the final quarter of the year.

4. Summary of Assurances in October to December 2020

A number of audits were in progress during the period. 1 final report was issued with a Medium audit opinion. There were 4 other reports at draft stage as at 31 December 2020. Whilst overall opinions for these reports were yet to be confirmed, based on the work undertaken it is not expected that any opinions of less than "Medium" (Adequate) will be provided for these reviews. For these reviews, final reports will be issued in January to March 2021. There were 7 other audits in progress by the end of the quarter and it is expected that a number of audit reports relating to these reviews will be issued by the end of March 2021 (and reported in the Annual Head of Internal Audit Report 2020/21).

5. Summary of Audit & Assurance Opinions Issued – October to December 2020

(See Appendix 4 for definitions of opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
<u>FINAL REPORTS ISSUED</u>		
<u>Level 4 Reports :</u>		
Cyber Security (Finance and Systems) / (Finance and Governance)	Medium (GREEN) (16/11/20)	The objective of the audit was to provide management with an evaluation of the council's cyber security arrangements. Reference was made to reviewing processes against the cyber security framework devised by the National Institute of Standards and Technology (NIST which includes a set of standards, guidelines and practices for protecting IT assets including data). The review concluded that most key risks are being managed. However, further work is required to ensure that the council is able to achieve a reasonable level of maturity against the NIST cybersecurity framework, particularly in relation to business continuity and disaster recovery.
<u>REPORTS AT DRAFT STAGE</u>		
<u>Level 4 Reports:</u>		
Corporate Complaints (Governance and Community Strategy) / (Finance and Governance)		A review of the adequacy and effectiveness of complaints processes across the Council was undertaken. A draft report was shared with management to provide a response to the findings and recommendations. A final report will be issued by the end of 2020/21.
Payroll (Strategy and Resources) / (Finance and Governance)		An audit review of payroll procedures was undertaken. At the request of the Greater Manchester Shared Services (GMSS), given current commitments, some planned audit coverage was rescheduled to 2021/22. It was agreed an interim report would be produced covering work completed to date and a further report, including an audit opinion, would be completed when work resumed later in 2021/22. A draft interim report was shared with management with a final interim report to be issued in January 2021.
Insurance (Finance and Systems) / (Finance and Governance)		A review was undertaken of the Council's insurance processes. A draft report was shared with management and a final report is to be issued before the end of 2020/21.
<u>Level 1 Reports</u>		
Urmston Primary School (Children's Services) / (Education)		An internal audit review was carried out at Urmston Primary School, using a remote working approach as part of changes to school audit procedures due to the COVID-19 pandemic. A draft report was produced and a final report will be issued by the end of 2020/21 to incorporate the management response.

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued. Work in the period has included the following:

- As referred to in Section 3, supporting other services in administering the payment of COVID-19 grants to businesses.
- Working with CLT to update the strategic risk register with an update report shared with CLT and the Accounts and Audit Committee in November 2020.
- Following liaison with relevant services across the Council, co-ordinating the submission of data to the Cabinet Office as part of the 2020/21 National Fraud Initiative. Further detail is included in Appendix 3.
- Completing a number of checks as part of the process for certifying grant claims with work completed in relation to the 2019/20 Disabled Facilities Grant.
- Follow up of a number of previous school internal audit reviews as described in Section 7.
- Liaison with Human Resources and the Counter Fraud and Enforcement Team to introduce a new anti-fraud awareness e-learning package for new starters as part of the induction process.

7. Impact of Audit Work – Improvements to the Control Environment

Key indicators of the impact of Audit and Assurance are: (a) Acceptance of Recommendations (b) Implementation of them.

Acceptance of Recommendations

For the final internal audit opinion report issued by the Audit and Assurance Service during the period, all 23 recommendations were accepted. In the year to date all 78 recommendations have been accepted (100% compared to a service target of 95%).

Implementation of Audit Recommendations

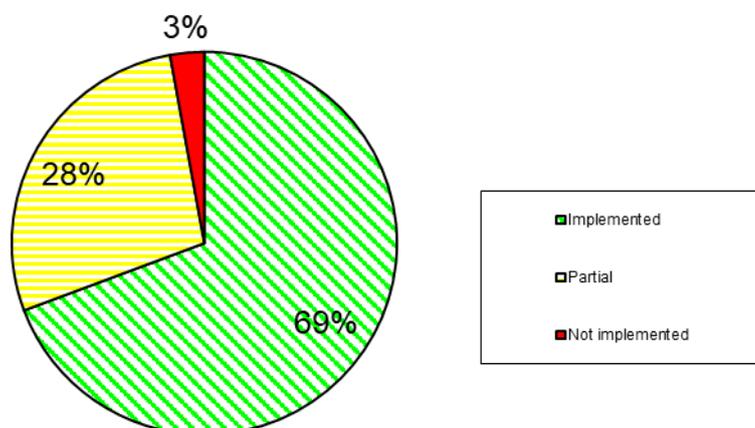
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

A number of follow up audits were completed in April to September 2020 as reported in the previous Audit and Assurance update. During October to December, the focus was on obtaining updates from a number of schools to provide updates on progress made in implementing audit recommendations. Details reported were as follows:

- St. Hugh of Lincoln RC Primary School – All 11 of the previously agreed recommendations made had been fully implemented.
- Kings Road Primary School – 19 out of the 22 recommendations have been implemented or are no longer applicable, with the remaining 3 recommendations in progress.
- Heyes Lane Primary School – 19 out of the 20 recommendations have been implemented or are no longer applicable with the remaining recommendation to be considered later in the year.
- Stretford High School – All 10 recommendations have been implemented.
- Delamere School – 8 of the 9 recommendation were fully implemented and the remaining recommendation implemented in part.

An overall analysis of audit recommendations followed up in 2020/21 (up to 31 December 2020) is shown on the following chart.

**Implementation of audit recommendations:
April to December 2020
Follow ups**



8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2020/21 Operational Internal Audit Plan

As at 31 December 2020, 706 audit days were spent against 700 planned allocated days (See Appendix 1). A further 70 contingency days were in the 2020/21 Internal Audit Plan but these will be used to mitigate any loss of days from the decision not to fill a vacant post.

As reported in the previous Audit and Assurance update report, in terms of time spent on each category of audit work, there are some significant variations in certain areas as a result of the pandemic. As referred to in Section 3, there continues to be revision to planned internal audit work to support the Council's COVID-19 response. Further to details reported in the April to September update, significant time has been spent in November and December 2020 to provide support to the process of making grant payments to businesses – this fully accounts for the significant time variation in respect of time spent against planned on Grant Checks / Data Quality.

There has been a significant reduction in time spent on school audits with a number of reviews delayed. During the last quarter, assurance has been continued to be gathered through follow-up of previous school audits and also the commencement during the period of one school audit through a remote working approach. Planning has commenced to undertake further schools reviews during 2021. Similarly, a number of other planned audits across the Council are subject to delay and in some cases will be subject to review and where applicable, rescheduled to 2021/22. It is expected that further time will be required to support the Council in its response to the pandemic and the Audit Plan will be subject to ongoing review as a result. There will be liaison with relevant Corporate Directorates to agree priorities and the timing of planned work, which will inform plans for 2021/22.

As part of the Internal Audit Plan, a target of 38 audit opinion reports was set to be produced during 2020/21 to final or draft stage (excluding reports issued by other partner authorities in relation to STAR Procurement). The target was set prior to the lockdown in March 2020 and whilst a significant number of planned reports have continued to be issued during the period, it is envisaged that by year end the actual number will not reach the target, given new priorities arising during the year i.e. time spent that was not originally planned for in supporting the Council's COVID-19 response. As at 31 December 2020, 19 audit opinion reports were produced (with one other report produced in relation to STAR Procurement by another authority). By the end of December, a further 7 audit reviews were in progress with a number of opinion reports relating to

these reviews expected to be issued by March 2021. A number of other reviews are planned to commence between January and March 2021 across a range of areas included in the Plan to ensure adequate assurance can be provided to support the production of the 2020/21 Head of Internal Audit Opinion. (See Appendix 2 for a listings of reports issued and planned). Given the impact of the pandemic, guidance has recently been issued by the Chartered Institute of Public Finance and Accountancy (Cipfa) on providing the Audit Opinion for 2020/21, which will be taken into account when producing the Annual Head of Internal Audit report.

The next update on progress against the 2020/21 Internal Plan, including reports issued to date, will be provided in the 2020/21 Annual Head of Internal Audit Report.

9. Planned Work for January to March 2021

Areas of focus include :

- Progression of internal audit reviews as listed in Appendix 2.
- Consideration of timing of some existing planned audit reviews and production of the 2021/22 Internal Audit Plan (due to be presented to the Accounts and Audit Committee for approval at its March 2021 meeting).
- Commencement of the review of data matches from the latest National Fraud Initiative exercise, which are due to be released in early 2021 plus submission of further data in relation to COVID-19 business grant payments for subsequent review through 2021/22.
- Continuing to support CLT in updating the Strategic Risk Register with a report due to be shared with the Accounts and Audit Committee in March 2021.
- Completion of checks in order to assist in the certification of the 2019/20 grant claim in relation to the Basic Needs Grant by February 2021 (allocated to support the creation of new school places).
- Providing advice to Adult Services through the review of a new quality assurance and improvement framework in respect of supported accommodation.
- Continued support, as required, as part of the response to the COVID-19 pandemic.

2020/21 Operational Plan: Planned against Actual Work (as at 31 December 2020)

Category	Details	Planned Allocated Days 2020/21	Planned Days (up to 31/12/20	Actual Days (as at 31/12/20)
Financial Systems	<p>Completion of fundamental financial systems audit reviews</p> <p>See Appendix 2 for opinion reports issued and planned.</p>	175	130	117
Governance	<p>Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Declaration of interests (Officers) review.</p> <p>Advice / assurance in respect of governance issues.</p> <p>Work to date has included liaising with Democratic Services on the collation of the Draft AGS collated, including reviewing the content and feeding back to Legal and Democratic Services before the document was issued.</p>	20	13	11
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register.</p> <p>Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p> <p>Strategic Risk update reports completed and reviewed by CLT and the Accounts and Audit Committee in July 2020 and November 2020.</p> <p>Also See Appendix 2 for opinion reports issued and planned.</p>	40	32	39
Anti-Fraud and Corruption	<p>Co-ordinate the Council's activity in respect of the National Fraud Initiative ensuring work completed across services in investigating data matches is progressed in accordance with Cabinet Office requirements.</p> <p>Contributing to Investigations of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and Corruption Strategy, including where applicable working with other relevant services to review</p>	80	60	64

	<p>existing policies and guidance supporting the overarching strategy.</p> <p>See Appendix 3 regards work completed to date supporting the National Fraud Initiative. Summary of work completed during the year to be set out in Annual Head of Internal Audit Report.</p>			
Procurement / Contracts/ Value for money	<p>Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>See Appendix 2 for reports issued and planned.</p>	70	35	34
ICT / Information Governance Audit	<p>ICT Audit reviews and advice, including reviews conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews</p> <p>See Appendix 2 for reports issued and planned.</p>	100	65	44
Schools	<p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.</p> <p>See Appendix 2 for audit opinion reports issued and planned in 2020/21 and Section 7 regards school follow ups during October to December 2020. A number of planned school audits were postponed due to the COVID-19 pandemic and are to be rescheduled. To date, 2 final audit reports have been issued and 1 produced to draft stage.</p>	170	120	40
Assurance – Other Business Risks	<p>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. <p>See Appendix 2 for audit opinion reports issued and planned.</p>	260	178	143
Grant claims checks / Data Quality	<p>Internal audit checks of grant claims / statutory returns and other data quality checks as required:</p> <p>Planned Work:</p> <ul style="list-style-type: none"> - Certification of Disabled Facilities Grant 2019/20 completed in October 2020. 	25	22	195 **

	Unplanned work (not in 2020/21 Audit Plan): Work completed as part of COVID-19 response - Support to Exchequer Services and the Strategic Growth team in completing checks to support administering the payment of business grants. (See Section 3)			
Service Advice / Project Support	General advice and guidance, both corporately and across individual service areas. Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. Summary of work completed during the year to be set out in Annual Head of Internal Audit Report and reflected where applicable in updates. (Also See Section 6.)	60	45	19
TOTAL		1000*	700	706

* Note there was a further contingency of 70 days within the 2020/21 Plan which have been utilised to mitigate the loss of a vacant post.

** Actual Days spent in this category includes unplanned work as part of the Council's COVID-19 response.

Audit Opinion Reports Issued and Planned 2020/21 (as at 31 December 2020)

Category	Audit Opinion Reports	Status (where progressed by 31/12/20)	2020/21 IA Plan
Financial Systems	- Direct Payments (Children's Services)	Final report issued 5/8/20	Completed
	- Client Finance system (Finance and Systems)	Final report issued 5/8/20	Completed
	- Housing Benefit / Council Tax Support (Finance and Systems)	Final report issued 28/4/20	Completed
	- Payroll (Strategy and Resources)	Draft findings of interim review shared with management.	Final interim report to be issued Q4 with further work rescheduled to 2021/22.
	- Asset Investment Strategy (Authority-Wide)	Final report issued 13/7/20	Completed
	- Adult Social Care Payments System - Liquid Logic/ContrOCC (Adult Services)	Final report issued 5/8/20	Completed
	- Children's Social Care Payments System - Liquid Logic/ContrOCC (Children's Services)	In progress	Draft report to be issued Q4
	- Direct Payments (Adult Services)	Final report issued 5/8/20	Completed
	- Accounts Receivable / Debt Recovery (Finance and Systems)	Planning commenced	Draft report to be issued Q4
	- Budgetary Control (Authority-wide/Finance and Systems)	-	Timing to be agreed
	- Accounts Payable (Finance and Systems)	In progress	Final report to be issued Q4
	- Treasury Management (Finance and Systems)	Final report issued 21/9/20	Completed
	- Foster Carer payments (Children's Services)	-	Timing to be agreed
	- Cash handling (Children's Services)	-	Timing to be agreed
Risk Management	- Health and Safety (Strategy and Resources / Authority-wide)	-	Timing to be agreed
	- Insurance (Finance and Systems)	Draft findings shared with management	Final report to be issued Q4
Procurement /Contracts /Value for money	- Social Value in Procurement (STAR authorities – Trafford lead) (Finance and Systems)	Final report issued 17/9/20	Completed
	-STAR Performance Management follow-up review (Stockport lead) (Finance and Systems)	Final report issued 21/9/20	Completed
	- Purchase cards follow-up audit (Finance and Systems)	In progress	Final report to be issued Q4
Information Governance / ICT Audit	- Data breaches (Governance and Community Strategy/Authority-Wide)	-	Planning to commence in Q4
	- Subject Access Requests (Governance and Community Strategy / Authority-Wide)	-	Timing to be agreed
	- Freedom of Information Requests (Governance and Community Strategy / Authority-Wide)	-	Timing to be agreed
	- IT Incident Management (Finance	Final report issued 20/8/20	Completed

National Fraud Initiative – Update on 2020/21 Exercise

The Audit and Assurance Service continues to co-ordinate the Council's participation in the statutory National Fraud Initiative (NFI) exercise.

The NFI is a nationwide data matching exercise. It is designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. The main exercise is carried out once every two years at minimal cost to the organisations involved and is firmly established as the United Kingdom's premier public sector fraud detection exercise.

The following datasets for the 2020/21 NFI exercise were submitted to the Cabinet Office during October to December 2020:

- Payroll Data
- Pension Gratuity Payment Data
- Creditors Standing Data
- Creditors History Data
- Council Tax Data
- Council Tax Reduction Scheme Data
- Housing Waiting List Data
- Taxi Licensing Data
- Resident Parking Permit Data.

At the time of writing we are currently awaiting submission of the Electoral Register Data to enable us to upload this by the deadline of 29th January 2021.

Dataset matches for the above datasets are all due to be released shortly after the time of writing this report at the end of January 2021.

Additionally for the 2020 exercise, as part of the UK Government's financial response to the COVID-19 pandemic, we are also required to submit data in relation to payments made under the:

- Small Business Grant Fund (SBGF),
- Retail, Hospitality and Leisure Grant Fund (RHLGF), and;
- Local Authority Discretionary Fund.

The deadline for submission of these datasets is 29th January 2021, with matches to be released by the end of March 2021. The Audit and Assurance Service is liaising with the various services who administer these payments to address this data requirement.

The Audit & Assurance Service will also continue to liaise with services across the Council to ensure high priority matches are reviewed and, where appropriate, followed up through the year. Details of progress will be reported in future updates to the Corporate Leadership Team and the Accounts and Audit Committee through the year with final outcomes included in the 2021/22 Annual Head of Internal Audit Report.

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green
Medium / High – Good	Green
Medium – Adequate	Green
Low / Medium - Marginal	Amber
Low – Unsatisfactory	Red

An opinion is stated in each audit report to assess the standard of the control environment.

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and finalise agreed responses to audit recommendations.

Final reports:

These incorporate management comments and responses to audit recommendations, including planned improvement actions.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4: Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3: Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2: Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1: Establishment / function specific** - Area under review relates to a single area such as an establishment.