

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 10 February 2015
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period October to December 2014.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period October to December 2014.**
- **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
Extension: 1323

Background Papers: None



TRAFFORD COUNCIL

Audit and Assurance Service Report October to December 2014

Date: 10 February 2015

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between October and December 2014. At the end of the year, these quarterly reports will be brought together in the Annual Internal Audit Report which will give the Audit and Assurance Service's opinion on the overall effectiveness of the Council's control environment during 2014/15.

2. Planned Assurance Work

Key elements of the 2014/15 Work Plan include:

- Fundamental Financial Systems reviews.
- Annual corporate governance review work and completion of the Annual Governance Statement for 2013/14.
- Audits of Council partnership arrangements.
- Continued review of risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- ICT audit reviews.
- Anti fraud and corruption work.
- Ongoing advice to services and input / advice in respect of key projects across the Council.
- School audits and other establishment audit reviews.
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q3 2014/15

Work in this quarter included the following :

- Issue of a number of final audit reports incorporating management responses to draft audit reports previously issued.
- Input to the monitoring of the Budget Monitoring Action Plan.
- Fundamental financial system reviews
- Ongoing support to relevant service areas in undertaking investigations
- Work in co-ordinating the submission of data to the Audit Commission as part of the National Fraud Initiative 2014/15.

Points of information to support the report:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good

Medium / High – Good

Medium – Adequate

Low / Medium - Marginal

Low – Unsatisfactory

Green

Green

Green

Amber

Red

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

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

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

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.

Summary of Assurances for 3rd Quarter 2014/15

Q3 – 2014/15

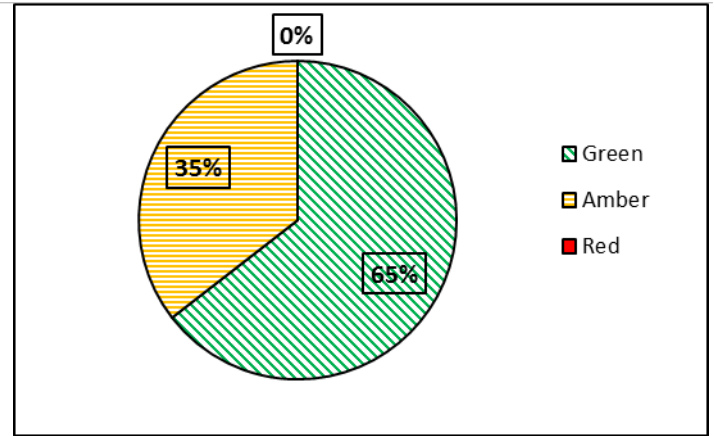
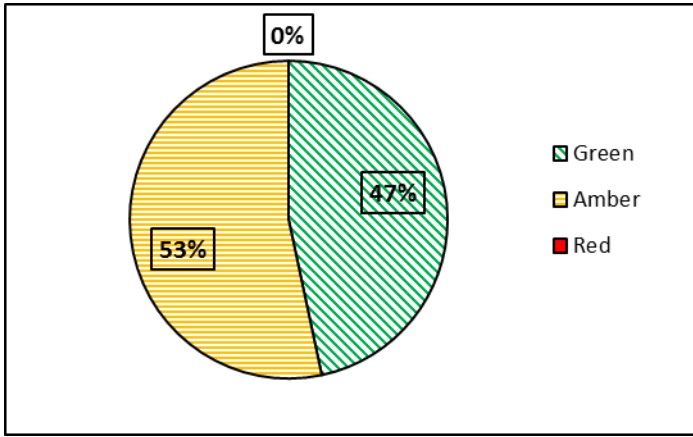
Chart 1 :

Assurances – all audit opinion reports issued in Quarter Three 2014/15 (15 reports – 10 final and 5 draft)

2014/15 to date

Chart 2 :

Assurances – all audit opinion reports issued in 2014/15 to date (31 reports – 24 final and 7 draft)



4. Overall Conclusions

Fifteen audit reports were issued in the quarter, ten final reports and five at draft stage.

Whilst a number of reviews were completed where at least an “Adequate” (Green) audit opinion was provided (seven reports), there were a significant number of areas where less than “Adequate” (Amber) opinions were given (eight reports). It should be noted, however, that five of the eight “Amber” opinion reports relate to reviews at final report stage that have already been reported as drafts in the Quarter 2 Audit and Assurance update (these relating to Taxi Licensing; Section 17 Payments (Children’s Services); Match day Parking at St Ann’s RC Primary School and audits at Oldfield Brow Primary School and St. Hilda’s C of E Primary School).

The other reviews where a Low/Medium opinion was given were for the following reports which are at draft stage:

- Softbox financial system (Adult Social Care)
- Schools Catering (central monitoring processes)
- Cloverlea Primary School

Two final reports relating to fundamental financial systems were issued, both with High (Green) Opinion Levels (Treasury Management and NNDR).

Other final reports issued where “Green” levels were given were as follows:

- Section 106 Planning Agreements (Medium opinion)
- Music Service (Medium/High)
- St. Monica’s RC Primary School (Medium)

Finally, in terms of Audit Opinion reports issued, the following other “Green” reports were issued at draft stage:

- ICT review of the General Ledger (High)
- Stretford High School (Medium)

(A listing of all audit report opinions issued including key findings is shown in Section 5).

Work in the period included continued input by Audit and Assurance to a number of other areas, including ongoing monitoring of the budget monitoring investigation action plan. (These are referred to in Section 6).

The Audit and Assurance Service is operating with less staffing resources than originally planned for in 2014/15 as referred to in Section 8. The Service will focus on continuing to progress the Audit Plan and will liaise with relevant service areas if required to consider rescheduling of work. Details will be reported in the 2014/15 Annual Internal Audit Report.

5. Summary of Audit & Assurance Opinions Issued – Q3: 2014/15

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by	-OPINION -R/A/G -Date Issued	COMMENTS
--	------------------------------------	----------

Coverage Level (1-4)		
<u>FINAL REPORTS</u>		
<u>Level 4 Reports:</u>		
Treasury Management 2013/14 (T&R) / (Finance)	High (GREEN) (9/12/14)	A high level of assurance has been maintained with ongoing compliance with the established controls in place.
Non-Domestic Rates 2013/14 (T&R) / (Finance)	High (GREEN) (17/12/14)	A high level of assurance has been maintained with ongoing compliance with the established controls in place.
Section 106 Planning Agreements (EGEI & T&R) / (Economic Growth and Planning)	Medium (GREEN) (23/12/14) *	The majority of recommendations made in the previous review reported in October 2013 have been implemented and the opinion has been revised to “Medium” having previously been “Low”. The report issued highlighted there was some further work required to implement a number of remaining recommendations. There is a need to increase activity in relation to undertaking site visits to monitor progress of relevant developments. The new IDOX system recently introduced will help to facilitate improved monitoring of planning developments to identify relevant trigger points. The agreed report action plan also states that revised financial reporting processes are to be introduced.
<u>Level 2 Reports :</u>		
Taxi licensing (EGEI) / (Environment and Operations)	Low/Medium (AMBER) (12/11/14)	An overall opinion of Low / Medium assurance is given reflecting the findings that, whilst a number of adequate procedures and controls are in place, a number of areas for improvement have been identified to reduce risks. This includes the need to ensure adequate checks and divisions of duties are in place in respect of processing applications and administering income received and banked. Further work is required to ensure adequate documented procedural guidance is in place for license applications, renewals and inspections. A follow up audit will be undertaken in 2015/16 to assess progress against the agreed action plan.
Section 17 payments – Children Act 1989 (CFW) / (Children’s Services)	Low/Medium (AMBER) (23/10/14) *	The objective of the review was to assess controls in place for the administration of Section 17 monies, used to support children in need and their families. It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. In particular, it is important that there are adequate procedures to ensure the necessary approval is obtained and evidenced prior to making Section 17 payments. In addition, full reconciliations of the imprest accounts should take place on a regular basis to account for all monies held and spent. An action plan has been agreed to address all recommendations made.
Music Service (CFW) / (Children’s Services)	Medium/High (GREEN) (22/12/14)	Overall, a good standard of control was found to be in place. It is noted that health and safety processes are being reviewed following the recent move to different premises.
<u>Level 1 Reports :</u>		
Match day parking at Schools – St. Ann’s RC Primary School (CFW) / (Children’s Services)	Low/Medium (1 x AMBER) (1 school - (7/11/14)	In respect of the review of contract management arrangements, including the monitoring of income received from contractors for match day parking at four schools reviewed, areas for improvement were identified at one school (St. Ann’s RC Primary School). This related to the need to ensure prompt invoicing of amounts due from the contractor and ensuring clearly established arrangements are in place, agreed by the Governing Body, for approving any variations to the contract. All recommendations made have been accepted and will be followed up in 2015/16.
St. Monica’s RC Primary School (CFW) / (Children’s Services)	Medium (GREEN) (11/11/14)	Records were generally maintained to a good standard. Some recommendations were made to make improvements in a number of areas. These include recommendations for the management of assets including the need to bring the inventory of equipment up to date, greater use of security-marking and maintaining a register of equipment taken off site.
St. Hilda’s C of E Primary School (CFW) / (Children’s Services)	Low/Medium (AMBER) (27/11/14) *	It is noted that some progress has been made in implementing previous audit recommendations made. There are, however, a number of recommendations that remain outstanding. These include recommendations in relation to ordering and payment processes, and ensuring an adequate division of duties in respect of income collection and banking. Further follow up of progress will be undertaken in 2015/16.

Oldfield Brow Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) * (22/12/14)	It is noted that some progress has been made in implementing previous audit recommendations made and an action plan was agreed to implement a number of areas outstanding. There are a number of recommendations that remain outstanding. These include recommendations in relation to ensuring an adequate division of duties in the ordering, delivery and payment process plus introducing adequate independent checks in the banking of income. Further follow up of progress will be undertaken in 2015/16.
---	---	--

DRAFT REPORTS

Level 4 Reports:

General Ledger ICT review (T&R)/ (T&R & Finance)	High (GREEN) (5/11/14)	Overall, effective IT controls were found to be in place for managing access to the Council's SAP financial system. Findings will be confirmed in the final audit report issued following receipt of a management response.
---	----------------------------------	---

Softbox system (Adult Social Care) (CFW) / (Adult Social Services and Community Wellbeing)	Low/Medium (AMBER) (17/11/14)	The Softbox system is used within Adult Social Care to record financial assessments and calculate and invoice for any contributions due from clients. The software is also used to calculate and verify the accuracy of provider payments, which are then processed through SAP Accounts Payable. The Softbox system is being replaced during the year through the implementation of the Liquid Logic software and supporting Controcc module. A number of recommendations made were intended to be taken into account in respect of implementation of the new systems. Areas for required improvement included debt monitoring processes. Report findings are currently being considered by management and a final report will be issued to include management responses.
---	---	--

Level 2 Reports:

Schools Catering (EGEI) / (Environment and Operations)	Low/Medium (AMBER) (23/12/14)	The review covered processes operated by the Schools Catering Service, including monitoring of expenditure, income and stocks. A number of recommendations made are being considered by management and will be incorporated in a final report to be issued before the end of 2014/15.
---	---	---

Level 1 Reports:

Cloverlea Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) (13/11/14)	Records across a number of areas were generally maintained to a good standard. There are, however, a number of areas identified for improving controls particularly to ensure adequate internal checks are in place across a number of processes including income collection and purchasing. (Details of the final issued report to be included in a future Audit and Assurance update).
---	---	--

Stretford High School (CFW) / (Children's Services)	Medium * (GREEN) (22/12/14)	The majority of recommendations made in the previous audit review had been implemented. A number of recommendations have been re-iterated in the draft report. (Details of the final issued report to be included in a future Audit and Assurance update).
--	---------------------------------------	--

*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.

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.

There has been ongoing work such as the provision of advice; conducting investigation work; co-ordinating the update of

the Council's Strategic Risk Register and undertaking financial appraisals of contractors.

In addition to the above, other work undertaken during Q3 included:

- Input by the Audit and Assurance Service to the monitoring of the Budget Monitoring Action Plan following the corporate review in 2014/15,
- Providing support to Governor Services in delivering two training presentations to Headteachers and two others to School Governors in respect of planning the scheduling of documents / policies to be reviewed by Governing Bodies through the year.
- Providing some input to the consultation process in reviewing the draft Contract Procedure Rules established by the STaR Shared Procurement Service.
- Co-ordination of the submission of data as required for 2014/15 National Fraud Initiative.
- Ongoing support to relevant service areas in undertaking investigations (a summary of work undertaken to be included in future Audit and Assurance updates).
- Arranging for a reminder to be publicised to Council staff in respect of rules on responding to offers of Gifts and Hospitality.
- Providing support to CFW in reviewing documentation supporting claims for funding made as part of the Council's Stronger Families programme.

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

From the 10 final audit opinion reports issued during the quarter:

- **94% of all recommendations made (93 out of 99) have been accepted.**

In the year to date:

- **94% of all recommendations have been accepted (228 out of 243). The Service annual target is 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. These include:

- Internal audit follow up reviews which specifically review progress made in implementing all recommendations in previous audit reviews.
- Requesting assurance from managers as to progress made by the completion of self assessments.
- Through reviews undertaken on an annual or cyclical basis e.g. fundamental systems reviews, assessing progress in terms of ongoing improvements in controls.

Four follow up final audit reports have been issued in the quarter, which were reported on at draft report stage in terms of progress in implementing recommendations (reported as part of the previous quarter two Audit and Assurance report - Section 106 Planning Agreements; Section 17 Payments; St. Hilda's C of E Primary School and Oldfield Brow Primary School).

Two further follow ups were undertaken in quarter three (ICT controls review of the Integrated Children's System /Electronic Common Assessment Framework (ICS/ECAF) and also a follow up review of Stretford High School). Of the 38 recommendations followed up (28 relating to Stretford High School and 10 relating to the ICT review), the majority of recommendations made in the previous reviews had been implemented (66%) with a further 18% in progress or ongoing. The remaining 16% (6 recommendations relating to Stretford High School were not implemented and were re-iterated).

8. Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2014/15 Operational Internal Audit Plan

As at the end of quarter two, 823 audit days were spent to date (92% of profiled planned time of 893 days). Available Internal Audit resources were less than originally planned for at the start of 2014/15. One Senior Audit and Assurance Officer left the Service in September 2014 (post to be deleted).

Another Senior Audit and Assurance Officer is leaving the Council at the end of January 2015 (decision on vacancy to be made but there will be a further loss of audit time in respect of this post for the remainder of 2014/15). Arrangements will be made to allocate work to other staff where work must be completed in the final quarter of the year. As planned work continues to be progressed, proposed rescheduling of some audit reviews will be undertaken in consultation with relevant services. Details, including commentary of actual work completed against the Audit Plan will be included in the Annual Internal Audit Report.

Client satisfaction surveys (April to December 2014)

Client Surveys: A client questionnaire is sent out with each audit report canvassing managers' views on the conduct of the audit review and its impact. A summary of feedback received is shown below.

QUESTION	V.GOOD	GOOD	SATISFACTORY	ADEQUATE	POOR	% v.good - good
1. Consultation on audit process and audit coverage prior to commencement of the audit	7	3				100%
2. Feedback of findings and liaison during the audit	8	2				100%
3. Professionalism of auditors	8	2				100%
4. Helpfulness of auditors	9	1				100%
5. Timeliness of the review and the draft report	7	2		1		90%
6. Clarity of the report	8	2				100%
7. Accuracy of the report	7	2	1			90%
8. Practicality of the recommendations made	4	4	1			89%
9. Usefulness of the audit as an aid to management	6	4				100%
Total	64	22	2	1		97%

QUESTION	Very Significant	Significant	Moderate	Minor	None
10. What level of improvement, in the standards of control and management of risks, do you expect to see following the audit review?	1	5	1	3	

9. Planned Work for Quarter 4, 2014/15

Areas of focus will include :

- Continue to contribute to the corporate process of monitoring the Budget Monitoring Investigation Action Plan.
- Issue of further financial system audit reports and progression / completion of a number of other audits across the audit plan.
- Co-ordination of the Strategic Risk Register update (to be presented to the Accounts and Audit Committee in March 2015).
- Agreeing the planned work / timetable for compiling the 2014/15 Annual Governance Statement.
- Production of the 2015/16 Internal Audit Plan. (The 2014/15 Annual Internal Audit Report will include a listing of work completed in quarter 4 together with details of any 2014/15 planned review work carried forward in to 2015/16).

APPENDIX A

2014/15 Operational Plan: Planned against Actual Work (as at 31 December 2014)

<u>Category</u>	<u>Details</u>	<u>Planned Days 2014/15</u>	<u>Planned Days (up to 31/12/14)</u>	<u>Actual Days (as at 31/12/14)</u>
Fundamental Systems	Completion of annual (2013/14) fundamental systems reviews and other system reviews. Planning of 2014/15 fundamental systems reviews.	230	190	194
Governance	Corporate Governance Review work and collation of other supporting evidence for the production of the 2013/14 Annual Governance Statement Audit reviews of governance arrangements for the Council's significant partnerships.	80	71	24
Corporate Risk Management	Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy	30	20	11
Anti-Fraud and Corruption	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. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	135	140
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.	70	40	30
ICT Audit	Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	90	65	45
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	110	109
Establishments	Reviewing governance and control arrangements across a range of establishments.	70	55	29
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.	170	105	131
Service Advice / Projects	General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new	100	75	62

	systems, functions and procedures provide for adequate controls and good governance arrangements.			
Financial Appraisals	Financial assessments of contractors and potential providers	35	27	48
TOTAL		1225 *	893	823

*Note: There are 1325 planned available days in total but 100 days relate to contingency.

With the loss of available audit days following the departure of a Senior Audit and Assurance Officer in September 2014 and the departure of another Senior Audit and Assurance Officer from January 2015, this will account for all available contingency time.