

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 September 2014
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period April to June 2014.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period April to June 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 April to June 2014

Date: 25 September 2014

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April and June 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, including supporting the council's transformation agenda.
- School audits and other establishment audit reviews.
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q1 2014/15

Work in this quarter covered a number of the main themes listed above including :

- Input to the corporate review of budget monitoring arrangements;
- Corporate Governance review work and completion of the draft 2013/14 Annual Governance Statement;
- Completion of the 2013/14 Annual Internal Audit Report;
- Commencement of some fundamental financial system reviews;
- Completion and issue of a number of school audit reports;
- Issue of a number of final reports incorporating management responses to draft reports issued in 2013/14;
- Undertaking financial appraisals of firms as part of support to the Council's Joint Venture project.

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 1st Quarter 2014/15

Q1 – 2014/15

6 final reports and 4 draft reports

Chart 1 – Analysis of Assurance by Opinion Levels (Quarter 1)

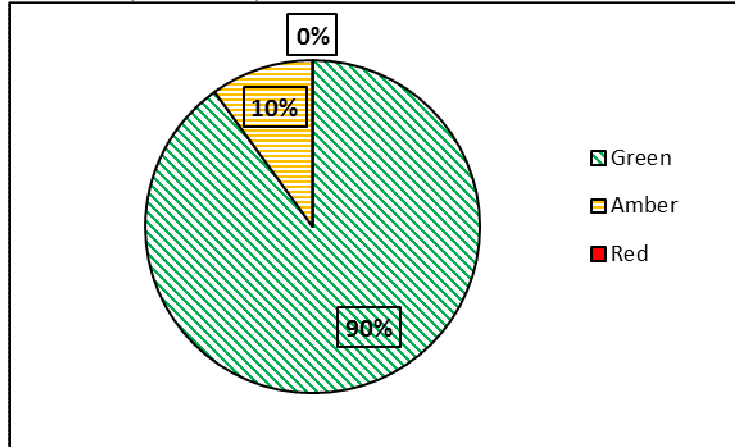


Chart 1 shows that good or at least adequate levels of control were in place for 90% of areas reviewed in the first quarter of 2013/14.

4. Overall Conclusions

Work in the period included input by Audit and Assurance to the corporate budget monitoring investigation. (The investigation report has since been shared with the Accounts and Audit Committee in August 2014).

Ten audit opinion reports were issued in the quarter, six final reports and four at draft stage.

Of the six final reports issued, all provided audit opinions of Medium or above. As reported in Section 7, 95% of all recommendations made in the final reports issued have been accepted.

Of the four draft reports issued in the period, three have provided Medium Opinions and one Low/Medium. The latter was a school audit which will be subject to an Audit follow up review in 2015.

During the period, the Audit and Assurance Service also completed the process of supporting the production of the Council’s draft 2013/14 Annual Governance Statement. (The process for completing the Statement and details within the Statement were reviewed by a designated Accounts and Audit Committee sub group and reported to the June 2014 Accounts and Audit Committee).

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

5. Summary of Audit & Assurance Opinions Issued – Q1: 2014/15

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 2 Reports:		
Street Trading (EGEI) / Environment and Operations	Medium (GREEN) (23/4/14)	Testing revealed an adequate level of compliance with controls covering many, but not all business risks. All recommendations made have been accepted and an agreed action plan is in place. Recommendations included ensuring all relevant information and guidance available on the Council website for street traders is up to date.
Public Health : Sexual Health contract (CFW) / Adult Social Services and	High (GREEN) (11/4/14)	The review identified a high level of compliance and assurance within the tender process. At the time of the audit review work, the contract had been operational for less than six months. Arrangements around transferring staff and other action points

Community Wellbeing		were taking place.
<u>Level 1 Reports :</u>		
St. Antony's Catholic College (CFW) / (Children's Services)	Medium/High (GREEN) (9/4/14)	Overall, a good standard of control was found to be in place. Some recommendations were made including the Governing Body approval of a number of school policies. All recommendations made have been accepted and an agreed action plan in place.
Kingsway Primary School (CFW) / (Children's Services)	Medium (GREEN) (30/4/14)	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. There is a need to improve the procedures and controls in relation to some aspects including inventory maintenance and the maintenance of the school fund records, reflected in a number of agreed recommendations.
Holy Family Catholic Primary School (CFW) / (Children's Services)	Medium (GREEN) (20/6/14)	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. A number of recommendations were agreed including those relating to procedures for the ordering and payment for goods and services, and procedures in respect of the collection and banking of income to ensure adequate audit trails are in place.
Stretford Grammar School (CFW) / (Children's Services)	Medium/High (GREEN) (20/6/14)	Overall, a good standard of control was found to be in place. A small number of recommendations were made, including the need to ensure an up to date inventory of equipment is in place which is subject to a regular independent check.
<u>DRAFT REPORTS</u>		
<u>Level 4 Reports:</u>		
Accounts Payable (T&R) / (Finance)	Medium (GREEN) (18/6/14)	The majority of key controls covered within the scope of this review were operating effectively. There are currently a number of issues being addressed on an Authority-wide basis to ensure that the EBP System is used effectively by Services to ensure transactions are processed promptly and in accordance with financial procedure rules. In addition, further work is being undertaken to review ICT related controls which is to be reported separately.
<u>Level 1 Reports:</u>		
St. Monica's RC Primary School (CFW) / (Children's Services)	Medium (GREEN) (1/5/14)	A draft report was issued. The opinion will be confirmed within the final report following the receipt of a management response to the recommendations made. Further details will be provided in the quarter two update.
St. Michael's C of E Primary School (CFW) / (Children's Services)	Low/Medium (AMBER) (30/6/14)	A draft report has been issued. Recommendations have been made across a number of areas including lettings, collection and banking of income and the administration of the school fund. It is noted that the school has completed an action plan to address recommendations made. A final report will be issued in quarter two and it is planned that a follow up audit will take place in 2015.
Lostock College (CFW) / (Children's Services)	Medium (GREEN) (25/6/14)	A draft report has been issued. Further details including the confirmed audit opinion will be provided in the quarter two update.

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. For the latter this has included work in relation to the Council's Joint Venture Project.

In addition to the above, other work undertaken during Q1 included:

- Input by the Audit and Assurance Service to the corporate review of budget monitoring arrangements which was in progress at the end of the quarter.
- Co-ordinating the production of the Council's draft 2013/14 Annual Governance Statement.
- Producing the 2013/14 Annual Internal Audit Report and the Annual Accounts and Audit Committee report.

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 6 final audit opinion reports issued during the quarter:

- **95% of all recommendations made (52 out of 55) have been accepted (in line with the Service annual 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. 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.

A self- assessment review was completed in relation to a previous audit of Old Hall Road Residential Unit. It was reported that eight of the nine recommendations had been implemented with the one outstanding to be completed later in 2014.

A number of other follow up reviews were progressed in quarter one and will be reported as completed as part of the quarter two update. These include work in progress at the end of the quarter in relation to follow up audits of St. Hilda's C of E Primary School, Section 17 payments (Children Act 1989), and self- assessment reviews from audits relating to Blue Badges and also Ascot House Assessment Centre.

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 one, 274 audit days were spent to date (against profiled planned time of 281 days).

There are some variations to note between planned and actual time taken against particular categories of work. Due to some rescheduling of work in other areas, an increased time was spent on school audits in the quarter compared to planned although it is expected there will be reductions in planned time in later periods in this area. In terms of financial systems review work, as at the end of June this is less than planned but it is anticipated that in quarter two this will have increased to be closer aligned to that planned reflecting work undertaking audits through July to September 2014.

Time spent on completion of financial appraisals of contractors was significantly greater than planned, mainly due to the volume of work as a result of the Joint Venture PQQ process.

The Draft Annual Governance Statement was completed by the end of June as planned.

9. Planned Work for Quarter 2, 2014/15

Progress will continue to be made in completing each category of work in the audit plan. Areas of focus will include :

- Input through the quarter to the Budget Monitoring investigation.
- Facilitate the production of the finalised version of the 2013/14 Annual Governance Statement.
- Preparation for the forthcoming 2014/15 Audit Commission Data Matching exercise.
- Completion of required internal audit checks of Highways related grant claims.
- Issue of further financial system audit reports and progression / completion of a number of other audits across the audit plan.

APPENDIX A

2014/15 Operational Plan: Planned against Actual Work (as at 30 June 2014)

<u>Category</u>	<u>Details</u>	<u>Planned Days 2014/15</u>	<u>Planned Days (up to 30/6/14)</u>	<u>Actual Days (as at 30/6/14)</u>
Fundamental Systems	Completion of annual (2013/14) fundamental systems reviews and other system reviews. Planning of 2014/15 fundamental systems reviews.	230	70	54
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	37	18
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	5	3
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	40	25
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	10	11
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	20	13
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	25	55
Establishments	Reviewing governance and control arrangements across a range of establishments.	70	20	5
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	20	37
Service Advice / Projects	General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new	100	25	23

	systems, functions and procedures provide for adequate controls and good governance arrangements.			
Financial Appraisals	Financial assessments of contractors and potential providers	35	9	30
TOTAL		1225 *	281	274

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