

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 29 September 2016
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period April to June 2016.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period April to June 2016.**
- **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



Audit and Assurance Service Report April to June 2016

Date: September 2016

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April and June 2016. At the end of the year, these quarterly 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 2016/17.

2. Planned Assurance Work

Key elements of the 2016/17 Work Plan include:

- Fundamental Financial Systems reviews.
- Governance review work and completion of the Annual Governance Statement for 2015/16.
- Continued input to 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.
- Grant claim certification work
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q1 2016/17

Work in this quarter included a particular focus on the following :

- Progression and completion of a number of fundamental financial systems reviews.
- Completion of a number of schools audit reviews.
- Work in compiling the Draft Annual Governance Statement.

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.

4. Summary of Assurances for 1st Quarter 2016/17

There were 13 internal audit opinion reports issued in the quarter, 8 final reports and 5 at draft stage.

At least "Adequate" Opinions (Medium or above) were given in relation to all the reviews. For all final reports issued, agreed action plans are in place to implement the recommendations made.

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

Of the 13 audit reviews, 4 of these were follow up reviews of previous audits undertaken. Good progress has been made in implementing previous recommendations (See Sections 5 and 7).

Work was also in progress across a number of other audit reviews which will continue in quarter two with further reports issued (See Section 9 for areas of focus in the next quarter).

5. Summary of Audit & Assurance Opinions Issued – Q1: 2016/17

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports:		
Council tax (T&R) / (Finance)	High (GREEN) (7/4/16)	Based on the controls reviewed, a high level of assurance has been maintained with a good level of control found to be in place, with no recommendations made in this review.
Business Rates (T&R) / (Finance)	High (GREEN) (28/4/16)	Based on the controls reviewed, a high level of assurance has been maintained with a good level of control found to be in place, with no recommendations made in this review.
STAR Shared Procurement Service follow up audit review (T&R) / (Finance)	N/A * (GREEN) (13/4/16)	A review was undertaken in 2015/16 of the STAR Shared Procurement Service, which was established in February 2014. The review was led by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. As stated in the 2015/16 Head of Internal Audit Annual Report, it was acknowledged that significant progress has been made in developing the Service with clearly defined governance arrangements, including the establishment of the STAR Board and STAR Joint Committee with clearly defined terms of reference and processes for decision making. Some recommendations were made regarding the benefits realisation framework including recommending improvements in processes for recording data on the savings register and processes for verifying data before it is reported to the STAR Joint Committee. It was noted that all five recommendations made had been implemented.
STAR Contracts Register follow up (T&R) / (Finance)*	N/A * (GREEN) (18/4/16)	A review was undertaken in 2015/16 of the contracts register maintained by the STAR Shared Procurement Service. The review was led by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. As stated in the 2015/16 Head of Internal Audit Annual Report, findings were that whilst overall adequate arrangements were in place for maintaining the register, it was acknowledged that work is ongoing to continue to improve processes. Recommendations made included adding further details within the register such as contact details for staff involved in commissioning new contracts; ensuring supporting documentation is filed in a consistent manner and services to regularly check contracts information held on the register. Of the six recommendations made, four have been fully implemented and two are being progressed on an ongoing basis.
Cash Expenditure Control – Imprest Accounts (Authority-Wide) / (Finance).	Medium (GREEN) (12/5/16)	The review was undertaken as part of an on-going series of audits in areas where there is a significant element of cash expenditure and/or significant levels of cash held. Overall, based on the areas reviewed, procedures for operating petty cash imprest accounts were found to be satisfactory. All recommendations made were accepted including that guidance on cash holding is circulated to all account holders. It was acknowledged that progress continues to be made in reducing levels of cash held and alternative arrangements continue to be considered where possible.

Payroll (T&R) / (Finance)	Medium/High (GREEN) (29/6/16)	Overall, adequate systems and controls were found to be in place. Some recommendations were made during the review in addition to noting other improvement actions which were in progress during the audit. Agreed actions included ensuring processes for record retention are in line with the Financial Procedure Rules; revised processes to ensure overpayments are recovered promptly; and as part of regular checks of the staffing establishment, details to be recorded on the monthly establishment lists shared with service managers to include the relevant reporting manager for each employee.
<u>Level 2 Reports :</u>		
IT Governance and Security in Schools follow up audit review (CFW and T&R) / (Children's Services and Transformation and Resources)	High * (GREEN) (11/5/16)	In the original audit review, following audit visits to a sample of schools in Trafford, a number of actions were recommended to improve ICT Security and Governance across schools. These included required improvements identified at some schools in respect of system back up arrangements and in the secure transmission of data. It was noted that all 14 recommendations had been implemented. Findings from this latest follow up audit highlight that all schools have been provided with advice based on the recommendations made and also the Council offers support across a number of areas to enable best practice to be implemented.
<u>Level 1 Reports :</u>		
Moss Park Junior School (CFW) / (Children's Services)	Medium/High (GREEN) (22/4/16)	A good standard of control was found to be in place across most areas covered. A small number of recommendations were made such as the introduction of evidencing checks completed within a number of systems and procedures including the reconciliation of bank statements, petty cash balances and maintenance of the inventory. All recommendations were accepted with agreed actions included in the final audit report.
<u>DRAFT REPORTS</u>		
<u>Level 4 Reports:</u>		
Cash Income Control (T&R/Authority Wide) / (Finance)	Medium (GREEN) (30/6/16)	A draft report was issued to summarise work undertaken as part of an on-going series of audits in areas where there is a significant element of cash income and/or significant levels of cash held. (Agreed findings per the final report issued to be reported in the quarter two update).
<u>Level 1 Reports:</u>		
St. Joseph's Catholic Primary School (CFW) / (Children's Services)	Medium/High (GREEN) (16/6/16)	Overall, a good standard of internal control and governance was found to be in place across most areas covered. Some actions were agreed to enhance existing systems and processes. These include the updating of the school's business continuity plan based on Council guidance and also the updating of equipment inventories to ensure valuable assets are adequately controlled and accounted for.
Brentwood School (CFW) / (Children's Services)	Medium/High (GREEN) (17/6/16)	Overall, a good standard of internal control and governance was found to be in place across most areas covered. Some actions were agreed to enhance existing systems and processes. These include updating of the Governors' handbook to include Committee remits; further updating of the school website and further review and update of the school's IT relates policies.
Urmston Infant School (CFW) / (Children's Services)	Medium (GREEN) (29/6/16)	Systems and controls were found to be adequate across most areas covered. Improvements in control and governance were recommended in some areas. A final report is due to be issued in September 2016, including a completed action plan.
All Saints Catholic Primary School (CFW) / (Children's Services)	Medium / High * (GREEN) (30/6/16)	This was a review which included follow up of progress made in implementing previous audit recommendations made. Good progress had been made. Of the 10 recommendations previously made, three had been fully implemented, six were implemented in part and only one recommendation (in relation to petty cash processes) was still to be implemented.
<i>*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.</i>		

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 quarter has included the following:

- Facilitating the production of the 2015/16 Draft Annual Governance Statement (reported to the Accounts and Audit Committee on 28 June 2016).
- Facilitating the update and reporting of the strategic risk register (reported to the Corporate Leadership Team in June 2016).
- Completing a number of checks as part of the process for certifying grant claims with work completed or commencing including the following areas: Local Growth Fund, Public Health, and Integrated Transport & Highways Capital Maintenance.

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

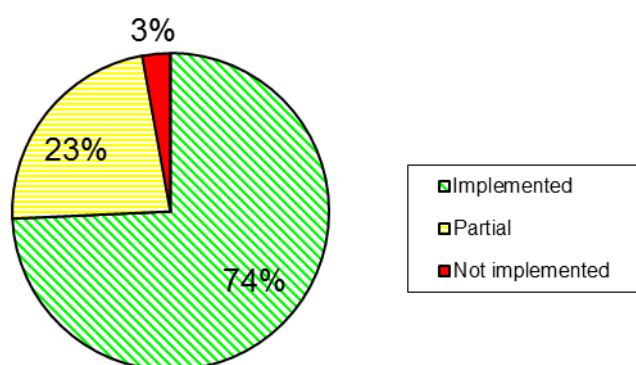
From the final audit opinion reports issued during the quarter (as listed in Section 5), all recommendations made were accepted (100%). Note: Service Annual Target is 95%.

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.

In quarter one, four follow up audit reviews were completed as described in section 5 which concludes on progress made in implementing previous recommendations. As detailed in respect of the individual audits, the majority of recommendations made have been implemented. An overall analysis of recommendations followed up is shown below, which comprises the 35 recommendations followed up over four follow up audit reviews completed in quarter one (STAR Shared Procurement Service, STAR Contracts Register, IT Governance and Security in Schools and All Saints Catholic Primary School).

Implementation of audit recommendations - 2016/17 follow ups



A number of other follow up reviews of reports issued in 2015/16 will be completed in 2016/17 as part of the Internal Audit Plan. In quarter two this is expected to include the issue of a draft audit report of Springfield Primary School (Low/Medium opinion previously provided in 2015/16) and also the issue of the final follow up audit report in respect of a review of Client monies.

Client Feedback

It should also be noted that results from feedback from clients following each audit, recorded on a client survey, will be collated and reported both for the Quarter two update and also results for the year in the Annual Head of Internal Audit Report.

8. Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2016/17 Operational Internal Audit Plan

As at the end of quarter one, 209 audit days were spent to date against 194 planned allocated days for quarter one.

As part of the Internal Audit Plan, a target of 35 audit opinion reports was set to be issued during 2016/17. As at the end of the first quarter, 11 opinion reports were issued to final or draft stage (31% of the total target for the year).

9. Planned Work for Quarter 2, 2016/17

Areas of focus include :

- Progression of planned internal reviews including issue of audit reports for the following reviews :
 - Insurance
 - Income Control
 - Parking Enforcement
 - SAP financial system IT controls
 - Two library audit reviews (Coppice Avenue and Stretford)
 - One Children's centre (Stretford)
 - One school audit (Blessed Thomas Holford Catholic College).
- Issue of final reports in relation to the five draft reports listed in Section 5.
- Preparation for submission of NFI data as part of the 2016/17 data matching exercise, with a deadline for submission of October 2016.
- Updating existing risk management guidance on the intranet.
- Facilitate the production of the finalised version of the 2015/16 Annual Governance Statement.
- Completion of Internal Audit checks of two grant claims required to be completed during the quarter (Integrated Transport and Highways Capital Maintenance; Cycle City Ambition Grant).

10. Other Updates – Public Sector Internal Audit Standards

- As indicated in previous updates, the Service has worked with colleagues within the North West Head of Internal Audit Group to consider arrangements for establishing a future external assessment of Internal Audit in line with the Public Sector Internal Audit Standards. A number of options were considered, in consultation with the Chair and Vice Chair of the Accounts and Audit Committee. It was agreed that the assessment to be completed in the next financial year will be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA).

APPENDIX A

2016/17 Operational Plan: Planned against Actual Work (as at 30 June 2016)

<u>Category</u>	<u>Details</u>	<u>Planned Days 2016/17</u>	<u>Planned Days (up to 30/6/16)</u>	<u>Actual Days (as at 30/6/16)</u>
Fundamental Systems	Completion of fundamental financial systems reviews	230	40	39
Governance	Corporate Governance Review / Collation of supporting evidence and production of the 2015/16 Annual Governance Statement (AGS) and preparation for the 2016/17 AGS. Advice / assurance in respect of governance issues including partnership governance.	50	20	12
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	6	4
Anti-Fraud and Corruption	Investigation of referred cases. Work in co-ordinating the reporting of the Council's NFI data matching exercise. Work to review the existing Anti- Fraud and Corruption Strategy and Policy, including where applicable, raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption.	140	25	9
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. (This will include liaison with the STaR Procurement Service and partner authority auditors).	70	10	10
ICT Audit	Audit reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT.	60	9	6
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	40	54
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 services, establishments and functions.	180	30	43
Grant claims checks / Data Quality	Internal audit checks of grant claims / statutory returns as required. This includes verification checks of data submitted by the Council as part of its Stronger Families programme.	30	4	19

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.	60	10	13
TOTAL		1020	194	209