

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 23 November 2016
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period July to September 2016.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period July to September 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



TRAFFORD
COUNCIL

Audit and Assurance Service Report July to September 2016

Date: **November 2016**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between July and September 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 – Q2 2016/17

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

- Progression and completion of a number of fundamental financial systems reviews.
- Follow up of IT control issues previously raised by the External Auditor.
- Completion of a number of establishment audit reviews.
- Completion of checks of grant claims.

4. Summary of Assurances for 2nd Quarter 2016/17

There were 10 internal audit opinion reports issued in the quarter, 7 final reports and 3 at draft stage. A listing of audit report opinions issued including key findings is shown in Section 5.

In respect of the final reports issued at least "Adequate" Opinions (Medium or above) were given in relation to 6 of the 7 reviews with one review less than adequate (Low/Medium opinion) which will be followed up later in 2016/17. In addition, 3 draft reports were issued in the quarter (which have subsequently been issued as final reports and will be reported as part of the Quarter 3 update).

For all final reports issued, agreed action plans are in place to implement the recommendations made.

Good progress has been made in implementing previous recommendations made as part of a number of audits originally undertaken in the previous year (See Section 7).

Work was also in progress across a number of other audit reviews which will continue in quarter three with further reports issued (See Section 10 for areas of focus in the next quarter including a listing of audit reports to be issued).

5. Summary of Audit & Assurance Opinions Issued – Q2: 2016/17

(See Appendix 3 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
FINAL REPORTS		
Level 4 Reports:		
Insurance (T&R) / (Finance)	Medium/High (GREEN) (7/7/16)	Overall, procedures in respect of managing and administering the Council's insurance arrangements were found to be working well. It was noted that improvements planned include the purchase of a new claims management system.
Cash Income (T&R/Authority Wide) / (Finance)	Medium (GREEN) (30/6/16)	A 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. Overall, procedures for recording, holding and banking cash were found to be satisfactory. Any recommendations made were reported to relevant service areas. One key finding was that whilst there are processes for reconciling cash takings to cash actually banked, to enable better monitoring of income, improvements could be made across a number of services in terms of reconciling expected income to other sources e.g. tickets or certificates issued, stock used etc. As part of the review, Audit circulated a guidance note for services in managing risks associated with cash handling.
Level 1 Reports :		
Coppice Avenue Library (T&R) / (Transformation &Resources)	Low/Medium (AMBER) (30/8/16)	Coppice Library is operated jointly with blueSCI, a Trafford Wellbeing Community Interest Company. The library is now staffed largely by unpaid volunteers recruited by blueSCI and trained in library operations by the Council. Whilst there were no concerns such as errors or irregularities identified as part of the audit review, Audit shared guidance and made recommendations to the Library Service with the aim of further developing details within the partnership agreement to ensure roles and responsibilities in respect of various aspects of governance and performance management are more clearly defined with the new arrangements. The Library Service is taking the guidance into account as part of its review of the partnership agreement and Audit will follow up progress in the current financial year with a view to considering a revised audit opinion to reflect ongoing developments. (Progress made will be reflected in a future Audit and Assurance update for 2016/17).
St. Joseph's Catholic Primary School (CFW) / (Children's Services)	Medium/High (GREEN) (6/7/16)	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. An agreed action plan is in place to address all recommendations made.
Brentwood School (CFW) / (Children's Services)	Medium/High (GREEN) (11/7/16)	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 related policies. An agreed action plan is in place to address all recommendations made.
All Saints Catholic Primary School (CFW) /	Medium / High *	This was a review which included follow up of progress made in implementing previous audit recommendations made. Good progress

(Children's Services)	(GREEN) (20/7/16)	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. An agreed action plan is in place to address any outstanding recommendations.
Blessed Thomas Holford Catholic College (CFW) / (Children's Services)	Medium / High (GREEN) (5/9/16)	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. This includes the need to review and update the school business continuity plan. It was also recommended that a formal procedure to track requests for information under the Freedom of Information Act is introduced to enable monitoring of responses to ensure they have been made within the specified timescales. An agreed action plan is in place to address any outstanding recommendations.
<u>DRAFT REPORTS</u>		The draft reports listed below were issued in Q2. The final reports were issued in October 2016 and details will be reported in the Quarter 3 update.
<u>Level 4 Reports:</u>		Date Issued
IT Applications - Access controls (T&R) / (Transformation and Resources)	*	(28/9/16)
<u>Level 2 Reports:</u>		
Parking Enforcement Contract Monitoring (EGEI) / (Economic Growth, Environment and Infrastructure)		(9/9/16)
<u>Level 1 Reports:</u>		
Stretford Children's Centre (CFW) / (Children's Services)		(7/10/16)
<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>		
<u>6. Other Assurance Work</u>		
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:		
<ul style="list-style-type: none"> • Facilitating the production of the 2015/16 Annual Governance Statement (approved at the Accounts and Audit Committee on 29 September 2016). • Updating of risk management guidance including details regarding the strategic risk register which have been shared with officers as part of the latest update of the risk register. • Completion of checks as part of the process for certifying grant claims in the following areas: Integrated Transport & Highways Capital Maintenance and Cycle City Ambition Grant (Phase 1). • Continued preparation for submission of data as part of the National Fraud Initiative, including liaison with all services that are required to provide information. 		

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 48 recommendations made were accepted. In the year to date, all 65 recommendations made have been accepted (Note: Service Annual Target is 95%).

Implementation of Audit Recommendations

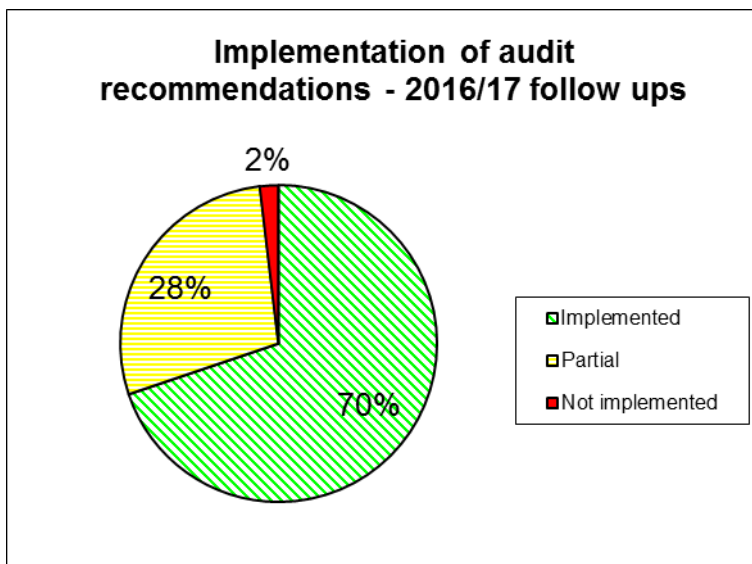
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

As listed under draft reports in Section 5, a follow up audit was undertaken of IT Application Access Controls (following up on previous work by External Audit). (Details per the final report to be reported in Q3 update). In addition, a final report was issued for the follow up audit of All Saints Catholic Primary School.

In respect of two other audits completed in the previous year, managers were requested to provide an update on progress in implementing recommendations made as follows:

- Registration Service – Progress has been made with all recommendations with 4 fully implemented and 2 in progress.
- Section 17 Payments (Children’s Act 1989) – Progress has been made with all recommendations with 5 fully implemented and 2 in progress.

An overall analysis of audit recommendations followed up in 2016/17 (up to 30 September 2016) is shown below.



8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 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 two, 445 audit days were spent to date against 418 planned allocated days for up to quarter two.

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 half-year stage, 17 opinion reports were issued to final or draft stage with a further 12 reviews in progress or planned where reports are expected to be issued by the end of quarter 3 (as listed in Section 10).

9. Client satisfaction surveys (April to September 2016)

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.

In terms of responses received in the period in respect of various aspects of the audits, **feedback of "Very Good" or "Good" was provided in 94% of responses against a service target of 85%.**

A summary of feedback is shown in **Appendix 2.**

10. Planned Work for Quarter 3, 2016/17

Areas of focus include :

- Progression of planned internal reviews including the issue of audit reports for the following reviews :
 - Treasury Management
 - Income Control
 - Benefits
 - Accounts Payable
 - Liquid Logic/ContrOCC
 - Direct Payments
 - Stretford Library
 - Client finances (CFW- Adults)
 - Out of Borough School Placements
 - Home to School Transport
 - Two school audit reviews (Victoria Park Infants and Tynesfield Primary).
- Issue of final reports in relation to the three draft reports listed in Section 5.
- Submission of National Fraud Initiative data as part of the 2016/17 data matching exercise.
- Work with other departments including Counter Fraud and Enforcement to raise awareness of the updated fraud reporting details on the Council's website.
- Working with the Information Governance team to provide support in relation to progression of the Information Security and Governance Board Action Plan.
- Update of Strategic Risk Register with report to be issued in November 2016.

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

<u>Category</u>	<u>Details</u>	<u>Planned Days 2016/17</u>	<u>Planned Days (up to 30/9/16)</u>	<u>Actual Days (as at 30/9/16)</u>
Fundamental Systems	Completion of fundamental financial systems reviews	230	90	118
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	35	14
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	14	14
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	63	27
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	25	23
ICT Audit	Audit reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT.	60	24	17
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	70	73
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	63	107
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	30	12	32

	of its Stronger Families programme.			
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	22	20
TOTAL		1020	418	445

APPENDIX 2

CLIENT SURVEY RESPONSES

QUESTION	V.GOOD	GOOD	SATISFACTORY	ADEQUATE	POOR	% v.good or good
1. Consultation on audit process and audit coverage prior to commencement of the audit	5	2				100%
2. Feedback of findings and liaison during the audit	6	1				100%
3. Professionalism of auditors	7					100%
4. Helpfulness of auditors	6	1				100%
5. Timeliness of the review and the draft report	1	5	1			86%
6. Clarity of the report	5	2				100%
7. Accuracy of the report	4	2	1			86%
8. Practicality of the recommendations made	1	3	2			67%
9. Usefulness of the audit as an aid to management	5	2				100%
Total	40	18	4			94%

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	4	1	1

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 a response 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.