

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 7 February 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period October to December 2016.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period October to December 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 October to December 2016

Date: 7 February 2017

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between October and December 2016 and highlights progress against the 2016/17 Internal Audit Plan to date. 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 – Q3 2016/17

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

- Completion of a number of fundamental financial systems reviews.
- Completion of a number of establishment audit reviews including schools, a library and a children's centre.
- Completion of reviews covering contracts monitoring (Parking Enforcement and Home to School Transport).
- Submission of data to the Cabinet Office required as part of the National Fraud Initiative.

4. Summary of Assurances for 3rd Quarter 2016/17

There were 15 internal audit opinion reports issued in the quarter, 11 final reports and 4 at draft stage. A listing of audit report opinions issued including overall 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 all 11 reviews. For all final reports issued, where applicable, agreed action plans are in place to implement the recommendations made. In addition, 4 draft reports were issued in the quarter which will be issued as final reports in Quarter 4 and reported within the 2016/17 Annual Head of Internal Audit Report.

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 four with further reports to be issued. (See Section 9 for areas of focus in the next quarter and Appendix 2 for the listing of Audit Opinion reports planned to be issued).

5. Summary of Audit & Assurance Opinions Issued – Q3: 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: | | |
| Treasury Management (T&R) / (Finance) | High (GREEN) (10/11/16) | A high level of assurance has been maintained and no formal recommendations were made as part of the audit. |
| Income Control (T&R) / (Finance) | Medium/High (GREEN) (7/11/16) | Overall, it was found that effective systems and controls are in place. A separate review specifically covering cash income control has been reported separately (detailed in the Quarter Two update). |
| Housing Benefits and Council Tax Reduction Scheme (T&R) / (Finance) | High (GREEN) (28/11/16) | A high level of assurance has been maintained and no formal recommendations were made as part of the audit. |
| IT Applications - Access Controls Follow Up Review (T&R) / (Transformation and Resources) | Medium/High (GREEN) (21/10/16) | The original audit was undertaken by the External Auditor, Grant Thornton. The follow up audit found that a number of controls have either been introduced or enhanced by the Council to reduce the key business risks relating to the applications under review, with further work in progress. Out of the 6 recommendations originally made, 2 have been implemented and four have been partially met and/ or are ongoing. (A further internal audit review will be undertaken in the first quarter of 2017/18 to further review the issues raised in this report). |
| Level 2 Reports : | | |
| Parking Enforcement (EGEI) / (Economic Growth, Environment and Infrastructure) | Medium (GREEN) (7/10/16) | Systems and controls were found to be adequate across most areas covered. Improvements in controls were recommended in respect of record keeping for monitoring purposes in respect of complaints and cancellation of penalty charge notices and also in evidencing the authorisation of any variations to the parking enforcement contract. |
| Client finances follow up (CFW) / (Finance and Adult Social Services & Community Wellbeing) | Medium * (GREEN) (3/10/16) | This review followed up recommendations made in a previous audit review. At the time of the follow up, a Client Finances policy was in the process of being drafted and also the introduction of new software to manage client finances was being considered. Therefore, of the 15 recommendations previously made, 4 had been fully implemented, 9 in progress with the remaining recommendations to be considered with the implementation of a new system. |
| Home to School Transport (CFW) / (Children's Services) | Medium/High (GREEN) (3/11/16) | Overall it was found that effective systems and controls were in place. A small number of recommendations were made relating to the review and update of some existing policies and also retention of records. |
| Level 1 Reports: | | |
| Stretford Library (T&R) / (Transformation and Resources) | Medium/High (GREEN) (18/11/16) | Overall, effective controls were in place across most areas reviewed. Some recommendations were made in relation to record keeping in relation to petty cash, income and the inventory. |
| Stretford Children's Centre (CFW) / (Children's Services) | Medium (GREEN) (7/10/16) | Systems and controls were found to be adequate in the majority of areas covered. Recommendations included the financial administration of income including recording and banking procedures. |
| Springfield Primary School (CFW) / | Medium * (GREEN) | This review followed up recommendations made in a previous audit review. Of the 16 recommendations previously made, 6 have been |

| | | |
|--|-------------------------------------|---|
| (Children's Services) | (10/11/16) | implemented or no longer apply, 4 have been progressed and a further 6 require to be implemented. An agreed action plan is in place to implement the remaining recommendations. |
| Urmston Infant School (CFW) / (Children's Services) | Medium (GREEN) (17/10/16) | Systems and controls were found to be adequate across most areas covered. This included the need to ensure a number of school policies have been approved by the Governing Body. A number of recommendations were also made in relation to security issues which covered cash, IT and other assets. |

DRAFT REPORTS

(Final reports to be issued in Quarter 4)

Accounts Payable

Liquid Logic / ContrOCC

Direct Payments (Adults)

Out of Borough School Placements

**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. Work in the quarter has included the following:

There has been ongoing work such as the provision of advice; conducting investigation work and co-ordinating the update of the Council's Strategic Risk Register which will be reflected in the Annual Head of Internal Audit Report for 2016/17. Work undertaken during Q3 included:

- Continuing to work with the Information Governance team and within the Information Security Governance Board (ISGB) to progress actions to support developments in relation to Information Governance as part of the ISGB Action Plan.
- Submission of data to the Cabinet Office in October 2016 as required as part of deadlines set for the National Fraud Initiative.
- Internal Audit input to an ongoing investigation in relation to an alleged cash theft.
- Working with the Counter Fraud and Enforcement Team to raise awareness of details on the Council website for reporting fraud.
- Working with Legal Services to raise awareness of guidance to staff in relation to Gifts and Hospitality.
- Updating of the strategic risk register with a report presented to CLT and the Accounts and Audit Committee in November 2016.

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 74 recommendations made were accepted. In the year to date, all 139 recommendations made have been accepted.

Implementation of Audit Recommendations

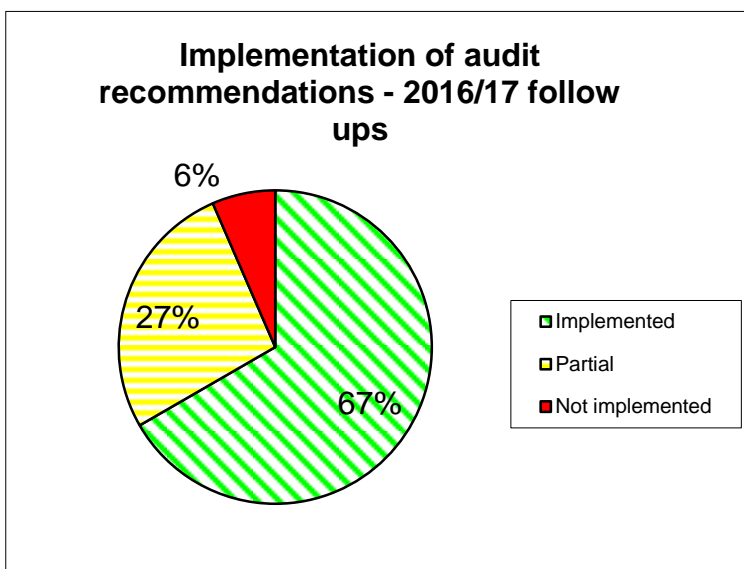
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

As listed under final reports in Section 5, follow up audits were completed of the IT Application Access Controls review (following up on previous work by External Audit); Client finances (CFW); and Springfield Primary School.

In respect of three other audits previously completed, managers were requested to provide an update on progress in implementing recommendations made as follows:

- Development Management, EGEI (formerly Planning Control) - All 8 recommendations previously made had been implemented.
- Lostock College - Progress has been made with all recommendations with 21 fully implemented and 6 in progress.
- St. Hilda's C of E Primary School – Progress has been made with all recommendations with 16 fully implemented or alternative controls in place and 3 in progress.

An overall analysis of audit recommendations followed up in 2016/17 (up to 31 December 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 three, 726 audit days were spent to date against 714 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 three-quarter year stage, 28 opinion reports were issued to final or draft stage with a further 14 reviews in progress or planned where reports are expected to be issued by the end of the financial year to draft or final stage (as listed in Appendix 2). Reports from the remaining reviews due to be planned or commencing in Quarter 4 will be issued in 2017/18. Details of work carried forward will be reflected where appropriate in the 2017/18 Internal Audit Plan. Work completed by the end of the year will be reflected in the 2016/17 Annual Head of Internal Audit Report.

9. Planned Work for Quarter 4, 2016/17

Areas of focus include :

- Progression of planned internal reviews including the issue of audit reports in Quarter 4 as listed in Appendix 2.
- Commencement of review of data matches from the latest National Fraud Initiative exercise, which are due to be released in early 2017.
- Completion of the updated Risk Management Policy and Strategy for review by CLT and the Accounts and Audit Committee.
- Completion of the updated Anti-Fraud and & Corruption Policy and Strategy for review by CLT and the Accounts and Audit Committee.
- Setting out the agreed approach and timetable for completion of the 2016/17 Annual Governance Statement.
- Continue to work with the Information Governance team to provide support in relation to progression of the Information Security and Governance Board Action Plan and in relation to the audit by the Information Commissioner's Office in January 2017.
- Update of the Strategic Risk Register with a report to be issued in March 2017.

2016/17 Operational Plan: Planned against Actual Work (as at 31 December 2016)

| <u>Category</u> | <u>Details</u> | <u>Planned Allocated Days 2016/17</u> | <u>Planned Days (up to 31/12/16)</u> | <u>Actual Days (as at 31/12/16)</u> |
|----------------------------------|--|---|--|---|
| Fundamental Systems | Completion of fundamental financial systems reviews: (See Appendix 2 for opinion reports issued and planned to be issued). | 230 | 165 | 164 |
| Governance | <p>Corporate Governance Review / Collation of supporting evidence and production of the 2015/16 Annual Governance Statement (AGS) Corporate Governance Code updated in June 2016 and 2015/16 AGS completed in September 2016.</p> <p>Development of approach for 2016/17 AGS and ongoing advice / assurance gathering in respect of governance issues both across Council and partnership arrangements which will assist in informing 2016/17 AGS. Production of 2016/17 approach/timetable in progress at the end of quarter 3 (to be completed by January 2017) and commencement of work to update the Corporate Governance Code and start work to compile the 2016/17 AGS to commence in Quarter 4.</p> | 50 | 42 | 21 |
| Corporate Risk Management | <p>Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy:</p> <ul style="list-style-type: none"> - Strategic Risk update reports issued in July and November 2016 with further update due in March 2017. - Risk management guidance on intranet updated in September 2016. - Updated Risk Management Policy and Strategy to be presented for review in March 2017. | 30 | 21 | 21 |
| Anti-Fraud and Corruption | <p>Investigation of referred cases: (Summary of work completed to be set out in Annual Head of Internal Audit Report).</p> <p>Work in co-ordinating the reporting of the Council's NFI data matching exercise: Liaised with services to ensure the required data for NFI was submitted in October 2016 as planned with matches to be reviewed from January 2017.</p> <p>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: Work completed in liaison with Counter Fraud team</p> | 140 | 98 | 69 |

| | | | | |
|---|---|-------------|------------|------------|
| | in respect of awareness raising re fraud reporting. Updated Anti-Fraud and Corruption Policy and Strategy to be presented for approval in March 2017. | | | |
| Procurement / Contracts/ 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). See Appendix 2 for work undertaken/planned. | 70 | 45 | 50 |
| ICT Audit | Audit reviews to be completed in line with the ICT audit plan. See Appendix 2 for work undertaken/planned. | 60 | 42 | 31 |
| Schools | Support the Council in working with schools to adhere to the Schools Financial Value Standard (SFVS). Undertake School Audit reviews (Issue of at least 15 Audit Opinion Reports) - see Appendix 2 for audit opinion reports issued and planned. (7 final reports issued, 5 reports currently in progress with a further 4 planned in quarter 4). | 170 | 120 | 144 |
| 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. - See Appendix 2 for audit opinion reports issued and other work completed / planned. | 180 | 120 | 157 |
| Grant claims checks / Data Quality | Internal audit checks of grant claims / statutory returns as required. Checks completed to date have covered: -Stronger Families Programme -Payroll / Greater Manchester Pension Fund -Local Growth Fund -Public Health -Cycling Ambition Grant Phase 1 -Integrated Transport and Highways Maintenance. To complete in Q4: -Cycling Ambition Grant Phase 2. | 30 | 20 | 36 |
| Service Advice / Projects | General advice in respect of control, risk and governance across council services, projects etc. Ongoing advice across Council services. Provision of guidance including update of Audit intranet site. Membership of Information Security Governance Board (ISGB) and support in progressing the ISGB Action Plan. | 60 | 41 | 32 |
| TOTAL | | 1020 | 714 | 726 |

Audit Opinion Reports Issued and Planned 2016/17 (as at 31 December 2016)

| Category | Audit Opinion Reports | Status | Plan for Quarter 4 |
|--|--|--|---|
| Fundamental Systems | <ul style="list-style-type: none"> -Payroll (T&R) -Income Control (T&R) -NDR (T&R) -Council Tax (T&R) -Benefits/Council Tax reduction (T&R) -Treasury Management (T&R) -Cash Expenditure Control (T&R) -Cash Income Control (T&R) -Insurance (T&R) -Accounts Payable (T&R) -Liquid Logic/ContrOCC system (CFW) -Direct Payments (CFW) -Budgetary Control (T&R/Authority-Wide) -Accounts Receivable & Debt Recovery (T&R) -Let Estates (EGEI) <p>(Note work also completed as planned supporting Finance in respect of work re the Highways Assets Valuation).</p> | <ul style="list-style-type: none"> Final report issued 29/6/16 Final report issued 7/11/16 Final report issued 28/4/16 Final report issued 7/4/16 Final report issued 28/11/16 Final report issued 10/11/16 Final report issued 12/5/16 Final report issued 30/6/16 Final report issued 7/7/16 Draft report completed Draft report completed Draft report completed In progress Not started Not started | <ul style="list-style-type: none"> - - - - - - - - - Final report to issue Q4. Final report to issue Q4. Final report to issue Q4. Draft report to issue Q4. Delayed at service request (to commence in Q4). Start date to be agreed in Q4 as planned. |
| Procurement /Contracts /Value for money | <ul style="list-style-type: none"> - Parking Enforcement Contract (EGEI) - Review of Social Value in Procurement (STAR authorities) (T&R) - One Trafford Partnership - Governance/monitoring (EGEI) <p>(Note work also undertaken with regular liaison with Audit Sections of STAR partners including input to STAR audit reviews undertaken - 2 Follow up final audit reports issued by Stockport Council in April 2016 – STAR Governance review and STAR Contracts Register review).</p> | <ul style="list-style-type: none"> Final report issued 7/10/16 In progress Planning stage | <ul style="list-style-type: none"> - Final report to issue Q4 Start date to be agreed in Q4 as planned. |
| ICT Audit | <ul style="list-style-type: none"> -IT Governance and Security in Schools follow up audit review (CFW&T&R) - IT Applications: Access Controls Follow Up Review (T&R) - Liquid Logic/ContrOCC system IT review (CFW) - IT Change Management (T&R) - Cyber Security follow up review (T&R) <p>(Note: -IT Disaster Recovery - position to date will be reflected in Business Continuity follow up review / further planned audit work to be considered. -Information Governance (see Appendix</p> | <ul style="list-style-type: none"> Final report issued 11/5/16 Final report issued 21/10/16 Draft report completed (Findings issued in same report as respective financial system review above). In progress Not started | <ul style="list-style-type: none"> - - Final report to issue Q4. Final report to issue Q4. Start date to be agreed in Q4 as planned. |

| | | | |
|---|--|--|---|
| | 1 - Service Advice). | | |
| Schools | <ul style="list-style-type: none"> -Springfield Primary School follow up -All Saints Catholic Primary School follow up -Moss Park Junior School -St.Joseph's Catholic Primary School -Brentwood School -Blessed Thomas Holford Catholic College -Urmston Infant School -Tyntesfield Primary School -Woodheys Primary School -Victoria Park Infant School -Stamford Park Junior School -Well Green Primary School -Brooklands Primary School -Our Lady of the Rosary RC Primary School -Wellfield Infant and Nursery School -Wellfield Junior School <p>(Note other work completed includes follow up of previous opinion reports through school self-assessments: <ul style="list-style-type: none"> -Lostock College -St.Hilda's C of E Primary School). </p> | <ul style="list-style-type: none"> Final report issued 10/11/16 Final report issued 20/7/16 Final report issued 22/4/16 Final report issued 6/7/16 Final report issued 11/7/16 Final report issued 5/9/16 Final report issued 17/10/16 In progress In progress In progress In progress In progress Planning stage Planning stage Not started Not started | <ul style="list-style-type: none"> - - - - - - - Final report to issue Q4. Final report to issue Q4. Final report to issue Q4. Final report to issue Q4. Final report to issue Q4. Draft report to issue Q4. Draft report to issue Q4 Draft report to issue Q4. To commence Q4. |
| Assurance – Other Key Business Risks | <ul style="list-style-type: none"> -Coppice Avenue Library (T&R) -Stretford Library (T&R) -Stretford Children's Centre (CFW) -Home to School Transport (CFW) -Client Finances (CFW/T&R) -Out of Borough Placements (CFW) -Housing Options (EGEI) - Section 106 Planning Agreement / Community Infrastructure Levy (EGEI) -Sale Waterside Arts Centre follow-up review (T&R) -Planning Enforcement (EGEI) -Corporate Health and Safety (T&R/Authority-wide) -Business Continuity (T&R/Authority-wide) -Taxi Licensing follow-up review (EGEI) -Schools catering follow-up review (T&R) -Aids and Adaptations (CFW) <p>(Note other work completed includes follow ups of previous opinion reports through manager self assessments: <ul style="list-style-type: none"> -Registrars Income -Section 17 Payments (Children's Act 1989) -Development Management). </p> | <ul style="list-style-type: none"> Final report issued 30/8/16 Final report issued 18/11/16 Final report issued 7/10/16 Final report issued 3/11/16 Final report issued 3/10/16 Draft report completed In progress In progress In progress Not started Not started Not started Not started Not started | <ul style="list-style-type: none"> - - - - - Final report to issue Q4. Draft report to issue Q4. Draft report to issue Q4 Draft report to issue Q4 Start date to be agreed in Q4 as planned. Start date to be agreed in Q4 as planned. Start date to be agreed in Q4 as planned. Start date to be agreed in Q4 as planned. Start date to be agreed in Q4 as planned. Start date to be agreed in Q4 as planned. |

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.