

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 September 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period April to June 2017.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period April to June 2017.**
- **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

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TRAFFORD
COUNCIL

Audit and Assurance Service Report April to June 2017

Date: September 2017

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April and June 2017 and highlights progress against the 2017/18 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 2017/18.

2. Planned Assurance Work

Key elements of the 2017/18 Work Plan include:

- Fundamental Financial Systems reviews.
- Facilitating the completion of the Annual Governance Statement for 2016/17.
- 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 2017/18

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

- Completion of a significant portion of the Internal Audit Plan in relation to schools.
- Audit review work in respect of fundamental financial systems.
- Checks in relation to grant claims to meet relevant deadlines.
- Continued progression of work supporting the National Fraud Initiative.
- Progress of a number of other audit reviews from the Internal Audit Plan.

4. Summary of Assurances for 1st Quarter 2017/18

There were 8 internal audit opinion reports issued in the quarter, 7 final reports and 1 at draft stage. A number of other audit reports were in progress, to be formally issued in quarter two. 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 6 of the 7 reports issued. For all final reports issued, where applicable, agreed action plans are in place to implement the recommendations made.

5. Summary of Audit & Assurance Opinions Issued – Q1: 2017/18

(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 2 Reports :		
Taxi licensing (EGEI) / (Highways, Parks and Environmental Services)	Medium * (GREEN) (26/5/17)	A follow up audit of the Taxi Licensing function was undertaken to identify progress made implementing previous audit recommendations. An overall Medium assurance is given reflecting the findings that progress has been made in the majority of areas to implement the control improvements previously recommended. Of the 20 recommendations made, 15 have been fully implemented or are being progressed (4 in full and 11 ongoing), and 3 of the original recommendations are no longer applicable due to policy changes. Work is in progress to further improve administrative and monitoring processes.
Housing Waiting List (EGEI) / (Housing and Strategic Planning)	Medium/High (GREEN) (5/6/17)	The overall objective of the review was to ensure that the Waiting List was accurate, up to date and was managed in accordance with the Housing Allocation Policy and other related policies and procedures. Overall, good systems and controls were found to be in place. One of the recommendations made was to review and refresh the procedures relating to the Housing Allocation Policy.
Level 1 Reports:		
Barton Clough Primary School (CFW) / (Children and Families)	Low/Medium (AMBER) (24/4/17)	Systems and controls were found to be requiring improvement across a number of areas reviewed. The report highlights that action is currently being taken through a Core Management Group to address a number of issues in relation to governance and financial management. A number of audit recommendations were also made including in relation to ordering and payment processes; IT security; asset security; and the need for review of policies in relation to charging and debt recovery.
Well Green Primary School (CFW) / (Children and Families)	Medium/High (GREEN) (23/5/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to lettings and also banking procedures.
Our Lady of the Rosary RC Primary School (CFW) / (Children and Families)	Medium/High (GREEN) (23/5/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to inventory maintenance and asset security.
Wellfield Junior School (CFW) / (Children and Families)	Medium (GREEN) (27/6/17)	Systems and controls were found to be adequate across most areas covered. A number of recommendations have been made in relation to ordering and payments for goods and services; collection and banking of income and inventory maintenance.
Moss Park Infant School (CFW) / (Children and Families)	Medium/High (GREEN) (28/6/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to updating the school's Data Protection and Freedom of Information Policy.
DRAFT REPORTS		
Level 4 Reports:		
Council Tax (T&R) / (Corporate Resources)		Draft report issued. Final report with audit opinion to be issued in Quarter 2.

OTHER REPORTS IN PROGRESS

Level 4 Reports:

Corporate Health and Safety (T&R) / (Corporate Resources)

Initial findings completed to share with management.

Level 1 Reports:

Bollin Primary School (CFW) / (Children and Families)

Initial findings shared with Headteacher for comments prior to issue of draft report.

Wellfield Infant and Nursery School (CFW) / (Children and Families)

Initial findings shared with Headteacher for comments prior to issue of draft report.

**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 and co-ordinating the update of the Council's Strategic Risk Register. Other work undertaken during Q3 included:

- Continuing to work with the Information Governance team and within the Information Security Governance Board (ISGB) to progress actions following the audit by the Information Commissioner's Office.
- Ongoing work in liaison with other services to follow up data matches provided by the Cabinet Office following submission of data as part of the National Fraud Initiative (outcomes will be reflected in a future quarterly update in 2017/18).
- Internal Audit input to an internal investigation within a service area.
- Completing a number of checks as part of the process for certifying grant claims with work completed in relation to the Public Health Grant, and in progress by the end of the quarter in relation to the Local Growth Fund.

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, 97% of recommendations have been accepted (98 out of 101 recommendations made) against a service 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.

As listed under final reports in Section 5, a follow up audit was completed in respect of procedures regarding taxi licensing. Another follow up audit review (Coppice Avenue Library) was in progress at the end of the quarter and will be reported in quarter two. A number of other follow up reviews of reports issued in 2016/17 will be completed later in 2017/18 as part of the Internal Audit Plan.

8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2017/18 Operational Internal Audit Plan

As at the end of quarter three, 255 audit days were spent to date against 218 planned allocated days for up to quarter one.

As part of the Internal Audit Plan, a target of 40 audit opinion reports was set to be issued during 2017/18. As at the first quarter year stage, 8 opinion reports were issued to final or draft stage with a further 3 reports in progress (with findings shared with management for comments).

Client surveys have been issued with each report issued. A summary of responses received will be included in a future quarterly update in 2017/18 and a summary for the whole year included as part of the Annual Head of Internal Audit Report.

9. Planned Work for Quarter 2, 2017/18

Areas of focus include :

- Issue of final audit reports for the following reviews :
 - Council Tax
 - Corporate Health and Safety
 - Coppice Avenue Library (follow up audit)
 - Schools (Bollin Primary, Wellfield Infant and Nursery, Broadheath Primary, St. Hugh's RC Primary)
- Progression of other audit reviews as listed in Appendix 2.
- Facilitate the production of the finalised version of the 2016/17 Annual Governance Statement.
- Continue to work with the Information Governance team to provide support in relation to progression of actions arising from the audit by the Information Commissioner's Office in 2016/17.
- Update of the Strategic Risk Register with a report issued to CLT in July 2017.

2017/18 Operational Plan: Planned against Actual Work (as at 30 June 2017)

Category	Details	Planned Allocated Days 2017/18	Planned Days (up to 30/6/17)	Actual Days (as at 30/6/17)
Fundamental Systems	Completion of fundamental financial systems reviews: (See Appendix 2 for opinion reports issued and planned to be issued during 2017/18).	230	40	27
Governance	<p>Corporate Governance Review / Collation of supporting evidence and production of the 2016/17 Annual Governance Statement (AGS). Corporate Governance Code updated and 2016/17 Draft AGS shared with CLT in May 2017 and the External Auditor in June 2017.</p> <p>Further work planned for the rest of 2017/18 includes:</p> <p>Ethical governance – work with Legal and Democratic Services to review procedures and guidance in respect of declaring interests, gifts and hospitality.</p> <p>Ongoing advice / assurance in respect of governance issues including partnership governance issues.</p>	40	18	12
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 including provision of guidance.</p> <ul style="list-style-type: none"> - Strategic Risk update report completed in June 2017 for issue to CLT in July 2017. Further updates during 2017/18 to be shared with CLT and the Accounts and Audit Committee (at its December 2016 and March 2017 meetings). - Risk management guidance on intranet updated to reflect updated Policy, Strategy and guidance. 	25	5	5
Anti-Fraud and Corruption	<p>Investigation of referred cases: (Summary of work completed during the year to be set out in Annual Head of Internal Audit Report and reflected where applicable in quarterly updates).</p> <p>Co-ordinate the Council's activity in respect of the National Fraud Initiative: (Summary of work completed and outcomes to be included in the Quarter 3 Audit and Assurance update and reflect in the Annual Head of Internal Audit Report).</p> <p>Other work to support the Ant-Fraud and Corruption Strategy, including where applicable working with other relevant services to review</p>	100	25	47

	existing policies and guidance supporting the overarching strategy. (Audit to initially liaise in 2017/18 with Legal Services to consider further).			
Procurement / Contracts/ Value for money	Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors). See Appendix 2 for reports planned.	80	10	3
ICT Audit	Audit reviews to be completed in line with the ICT audit plan. See Appendix 2 for work undertaken/planned.	70	10	10
Schools	Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE 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. (5 final reports issued, 2 reviews where initial draft findings shared and 2 other reviews in progress).	170	50	85
Assurance – Other Key Business Risks	Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes: - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. See Appendix 2 for audit opinion reports issued and other work completed / planned.	230	40	29
Grant claims checks / Data Quality	Internal audit checks of grant claims / statutory returns as required. Checks completed or in progress to date have covered: - Public Health - Local Growth Fund.	35	5	8
Service Advice / Projects	General advice, both corporately and across individual service areas. Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. To date this has Included: - contributing to work of the Information Security Governance Board; - contributing to the development of the Digital Strategy.	60	15	29
TOTAL		1040	218	255

Audit Opinion Reports Issued and Planned 2017/18 (as at 30 June 2017)

<u>Category</u>	<u>Audit Opinion Reports</u>	<u>Status (where progressed in Q1)</u>	<u>2017/18 IA Plan</u>
Fundamental Systems	<ul style="list-style-type: none"> -Accounts Receivable & Debt Recovery (T&R) - Treasury Management (T&R) - Council Tax (T&R) - Payroll (T&R) - Income Control (T&R) - NDR (T&R) - Benefits/Council Tax reduction (T&R) - Accounts Payable (T&R) - Liquid Logic/ContrOCC system (CFW/T&R) - Direct Payments (CFW) 	<ul style="list-style-type: none"> - In progress Draft report issued 26/6/17 - - Planning stage - - - - - 	<ul style="list-style-type: none"> Commencing Q2 Final report to issue Q2 Final report to issue Q2 Commence by Q3 Commence by Q3 Draft report to issue Q2 Commence by Q3 Commence by Q4. Commence by Q4 Commence by Q4
Procurement /Contracts /Value for money	<ul style="list-style-type: none"> - Contracts Register (STAR Authorities – Rochdale lead) (T&R) - Financial vetting of firms (STAR Authorities – Trafford lead) (T&R) - STAR Quality Management System (STAR Authorities – Stockport lead) (T&R) - Social Value in Procurement (STAR authorities – Trafford lead) (T&R/Authority Wide) - Contract Procedure Rules (STAR Authorities – Stockport lead) (T&R/Authority-Wide) - One Trafford Partnership (EGEI) 	<ul style="list-style-type: none"> - - - - Planning stage - 	<ul style="list-style-type: none"> Timing to be agreed (Rochdale) Planned to commence at the end of Q2. Timing to be agreed (Stockport) Commence by Q4. Draft report to issue Q2 Planning future review work for rest of 2017/18 in Q2.
ICT Audit	<ul style="list-style-type: none"> - SAP financial system access controls (T&R) - IT Change Management follow-up audit (T&R) - Software Licensing (T&R) - Cyber Security (T&R) - ITrent System IT Application Controls (T&R) <p>(Note any additional reports to the above agreed with ICT Services will be reported in respective quarterly updates).</p>	<ul style="list-style-type: none"> - - - - - 	<ul style="list-style-type: none"> Review to commence Q2. Commence by Q4 Commencing Q2 Commence by Q3 Commence by Q4
Schools	<ul style="list-style-type: none"> - Barton Clough Primary School - Well Green Primary School - Our Lady of the Rosary RC Primary School - Wellfield Junior School * - Moss Park Infant School * - Bollin Primary School * - Wellfield Infant and Nursery School - St. Hugh's RC Primary School - Broadheath Primary School 	<ul style="list-style-type: none"> Final report issued 24/4/17 Final report issued 23/5/17 Final report issued 23/5/17 Final report issued 27/6/17 Final report issued 28/6/17 Initial draft findings shared with Headteacher. Initial draft findings shared with Headteacher. In progress In progress 	<ul style="list-style-type: none"> Completed Completed Completed Completed Completed Final report to issue Q2 Final report to issue Q2 Final report to issue Q2 Final report to issue Q2

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.
-