

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 September 2013
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period April to June 2013.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period April to June 2013.**
- **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 2013

Date: 26 September 2013

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April and June 2013. 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 2013/14.

2. Planned Assurance Work

Key elements of the 2013/14 Work Plan include:

- Fundamental Financial Systems reviews.
- Annual corporate governance review.
- Completion of the Annual Governance Statement for 2012/13.
- Audits of council partnership arrangements.
- Continued review of risk management arrangements and provision of guidance.
- Review of Corporate Procurement Arrangements 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 2013/14

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

- Corporate Governance review work and completion of the draft 2012/13 Annual Governance Statement;
- Completion of the 2012/13 Annual Internal Audit Report;
- Fundamental financial system reviews;
- Completion and issue of a number of school and other establishment audit reports.
- In the latter part of the period, commencement of work supporting a corporate review of systems and processes within the Environment, Transport and Operations Directorate.
- Awareness-raising through roll out of an e-learning module in respect of anti-fraud and corruption.

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 2013/14

Q1 – 2013/14

12 final reports and 5 draft reports

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

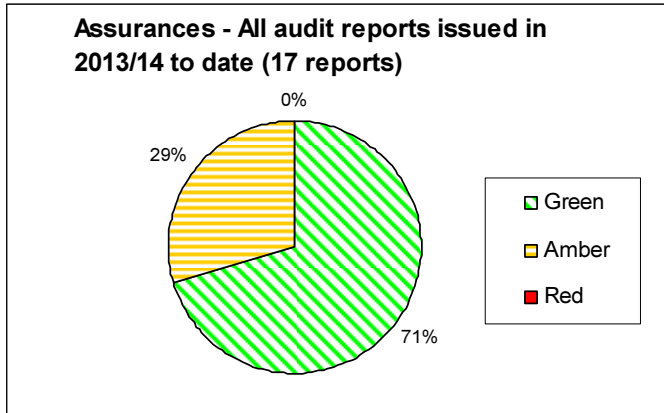


Chart 1 shows that good or at least adequate levels of control were in place for 71% of areas reviewed in the first quarter of 2012/13.

4. Overall Conclusions

A total of 17 audit reports were issued in the quarter, 12 final reports and five draft reports. Of these 12 areas reviewed were overall, deemed to have adequate controls in place (71%). For the other five reviews, Low/Medium opinions were given.

Of the 12 final reports issued, eight of these were issued at draft stage by the end of the previous quarter. Opinions listed in the 2012/13 Annual Internal Audit Report at draft stage have remained unchanged with the issue of the respective final reports. For the other four final audit reports the following opinions were given : Energy Management (Medium), Ascot House Assessment Centre (Medium), St. Mary's C of E Primary School, Davyhulme (Medium) and St. Mary's C of E Primary School, Sale (Medium/High). Actions plans have been agreed for all 12 issued final reports.

Further follow up audit reviews in respect of the final reports issued will be planned for all reviews where less than adequate opinions have been given (Let Estates, Oldfield Brow Primary School and St. Ann's RC Primary School). In addition, further follow up work planned for other reviews is indicated as appropriate in Section 5 of this report. This includes systems that are subject to annual review plus audits where overall a Medium opinion has been given but there is still significant scope to make control improvements.

As reported in Section 7, 95% of all recommendations made in the 12 final reports issued have been accepted.

Five draft reports were issued in the period. The draft opinions are listed in Section 5. As at the end of June 2013, management responses had not been received for four of the reports, so in these cases opinions provided are provisional and will be confirmed in the next quarterly update.

During the period, the Audit and Assurance Service also completed the process of supporting the production of the Council's draft 2012/13 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 2013 Accounts and Audit Committee).

Towards the end of the quarter, Audit started to provide input to an ongoing corporate review of systems and processes within the Environment, Transportation and Operations Directorate, the main focus of work being on Operations including Carrington Depot. In addition to undertaking or following up on reviews included in the Audit Plan this has also included review of other areas including the operation of the Stores. A summary of outcomes from this work will be included as part of the quarter two update.

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

5. Summary of Audit & Assurance Opinions Issued – Q1: 2013/14

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports :		
Works Management System (Authority-wide & ETO) / (Highways and Environment; Finance; Transformation and Resources)	Medium* GREEN (26/4/13)	As reported at draft report stage, some progress has been made in implementing previous audit recommendations. An action plan to address the outstanding recommendations was agreed with the Environment, Transport and Operations Directorate. This included ensuring roles, responsibilities and procedures for operating the system are clearly documented and shared with relevant staff. It is noted that since the draft report from this audit review was issued, further steps are being taken to address improvements required and these will be assessed in a follow up review to commence later in 2013/14.
Energy Management (ETO & EGP) / (Economic Growth and Prosperity).	Medium (GREEN) (20/6/13)	Progress has been made since the last audit review in all areas where recommendations were previously made. Recommendations have been made to review the availability of management information to enable more effective monitoring of energy consumption. This area will continue to be reviewed on an annual basis.
Let Estates Follow Up Review (EGP) / (Economic Growth and Prosperity)	Low/Medium (AMBER)* (10/4/13)	It was noted that progress has been made in implementing previous audit recommendations made but a number of recommendations are in progress or to be addressed. A further review is to commence later in 2013/14 when an updated audit opinion will be considered - previous opinion provided in 2011/12 was Low/Medium.
Level 2 Reports:		
Pest Control (ETO) / (Highways and Environment)	Medium/High (GREEN) (26/4/13)	Overall, effective control arrangements were found to be in place for the areas reviewed which included risk management, performance monitoring, financial management and administration, including the collection of income. Some recommendations have been made to improve records maintained to ensure adequate audit trails are in place in respect of work undertaken.
Level 1 Reports :		
Sale Library follow up (T&R) / (Transformation and Resources)	Medium* (GREEN) (18/4/13)	Good progress has been made in implementing previous recommendations made. Outstanding recommendations include the need to introduce an independent annual inventory check. (Follow up of some issues relating to service wide aspects have been covered in a separate library ordering procedures audit review).
Altrincham Crematorium (ETO) / (Highways and Environment)	Medium (GREEN) (20/6/13)	The audit found areas of good practice, but there is a need to improve controls for a number of areas of business risks including procedures relating to income collection, purchasing and security / recording of assets. It was agreed a follow up audit review will further assess progress in implementing recommendations.
Ascot House Assessment Centre (CFW) / (Adult Social Services)	Medium (GREEN) (25/6/13)	Overall, adequate standards of control are in place. Areas for improvement and associated recommendations are highlighted in the agreed action plan which includes improvements to asset security procedures.
Victoria Park Junior School (CFW) / (Education)	Medium/High (GREEN) (19/4/13)	In most areas reviewed, effective procedures were found to be in place. Recommendations made included reviewing safe security arrangements and reviewing / updating existing documented financial procedures.
St. Mary's C of E Primary School, Davyhulme follow up review (CFW) / (Education)	Medium* (GREEN) (8/5/13)	The review focussed on progress made in implementing previous audit recommendations and found the majority had been implemented with a small number in progress or planned to be completed.
St. Mary's C of E Primary	Medium /	In most areas reviewed, effective procedures were found to be in place.

School, Sale (CFW) / (Education)	High (GREEN) (13/5/13)	Recommendations made included processes for updating the inventory and security arrangements in relation to access to keys.
Oldfield Brow Primary School (CFW) / (Education)	Low/Medium (AMBER) (23/5/13)	A key reason for the opinion level given is the need for a greater division of staff duties within financial processes at the School. An action plan was agreed for implementation of recommendations through 2013 and this review will be followed up.
St. Ann's RC Primary School (CFW) / (Education)	Low/Medium (AMBER) (9/6/13)	Areas for improvement were identified across a number of financial systems and procedures. These relate to the establishment of divisions of duties, internal checks of records and improved audit trails in some areas. It is acknowledged that long term staff absence had contributed to the findings and overall audit opinion. All audit recommendations have been accepted and an action plan has been produced. Progress against each recommendation will be followed up in a further audit review.
<u>DRAFT REPORTS</u>		
<u>Level 1 Reports :</u>		
Old Hall Road Residential Unit (CFW) / (Supporting Children and Families)	Medium (GREEN) (20/5/12)	Overall, adequate standards of control were found to be in place. Recommendations made included procedures for maintaining and checking the petty cash imprest account, introducing independent inventory checks and ensuring service guidance is followed in respect of handovers of cash between individuals
St. Teresa's RC Primary School (CFW) / (Education)	Medium (GREEN) (15/4/13)	A final report will be issued confirming the audit opinion and incorporating the management response to the recommendations made and details will be reported in the quarter two update.
Stretford High School (CFW) / (Education)	Low/Medium (AMBER) (14/5/13)	A final report will be issued confirming the audit opinion and incorporating the management response to the recommendations made and details will be reported in the quarter two update.
Springfield Primary School (CFW) / (Education)	Low/Medium (AMBER) (31/5/13)	A final report will be issued confirming the audit opinion and incorporating the management response to the recommendations made and details will be reported in the quarter two update.
All Saints Catholic Primary School (CFW) / (Education)	Medium / High (GREEN) (21/6/13)	A final report will be issued confirming the audit opinion and incorporating the management response to the recommendations made and details will be reported 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 being given. There is 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.

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

- Providing input from mid June 2013 to an ongoing corporate review of systems and processes within the Environment, Transportation and Operations Directorate. In addition to undertaking or following up on reviews included in the Audit Plan this has also included review of other areas including the operation of the Stores. A summary of outcomes from this work will be included as part of the quarter two update.
- Roll out of a fraud awareness e-learning package across the Council, which it was agreed by CMT was made mandatory for staff with Trafford Council email accounts to complete.
- Co-ordinating the production of the Council's draft 2012/13 Annual Governance Statement.
- Producing the 2012/13 Annual Internal Audit Report and the Annual Accounts and Audit Committee report.
- In respect of advice for schools, a document setting out guidance in respect of operating school fund accounts was produced by Audit and shared with all schools via the schools e-bulletin.

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 12 final reports issued during the quarter:

- **95% of all recommendations made (118 out of 124) 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.

It should be noted that a number of final reports issued this quarter which included follow up elements were previously reflected in details provided in the 2012/13 Annual Internal Audit Report as the respective reports were issued in 2012/13 at draft report stage (Let Estates, Works Management, Sale Library).

Further follow ups reported in this quarter relate to audit reviews of Energy Management and two schools (one an audit of St. Mary's C of E Primary School, Davyhulme, the other a self assessment provided by Urmston Junior School). In relation to these reviews, 50 out of 60 recommendations are reported to be implemented, 8 in progress are no longer applicable and only 2 yet to be implemented.

8. Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2013/14 Operational Internal Audit Plan

As at the end of quarter one, 311 audit days were spent to date (against profiled planned time of 294 days).

There are some variations to note between planned and actual time taken against particular categories of work. This includes time spent in respect of specific investigations resulting in days relating to Anti-Fraud and Corruption work being greater than expected. In addition, the higher than anticipated time in respect of time spent on "Assurance - other key business" reflects the commencement of work supporting a corporate review of processes within the Environment Transport and Operations Directorate. In terms of financial systems review work, as at the end of June this is less than planned but is anticipated that in quarter two this will have increased to be closer aligned to that planned reflecting work underway in completing audits reports through July to September 2013.

Key pieces of work have been completed by the end of June as planned, including input towards the completion of the draft Annual Governance Statement.

9. Planned Work for Quarter 2, 2013/14

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

- Issue of further financial system audit reports.
- Ongoing input to a number of areas of review to support the current review of processes, systems and controls within the Environment, Transport and Operations Directorate. Related audit reports to be issued in respect of the Stores, fuel cards system and Carrington Depot waste transfer follow up review.

- Support the review and update of the Council's strategic risk register for reporting to CMT and the Accounts and Audit Committee in September 2013.
- Facilitate the production of the finalised version of the 2012/13 Annual Governance Statement including issue of the Internal Audit report on Corporate Governance.
- Raising awareness of the anti-fraud and corruption e-learning tool and monitoring / reporting on use of this across the Council.
- Provision of training for school governors on the role of Internal Audit including coverage of fraud awareness.
- Progression / completion of a number of other audits across the audit plan.

APPENDIX A

2013/14 Operational Plan: Planned against Actual Work (as at 30 June 2013)

<u>Category</u>	<u>Details</u>	<u>Planned Days 2013/14</u>	<u>Planned Days (up to 30/6/13)</u>	<u>Actual Days (as at 30/6/13)</u>
Fundamental Systems	Completion of fundamental systems reviews including annual reviews relating to 2012/13. Planning and commencement of 2013/14 fundamental systems reviews.	200	75	56
Governance	Corporate Governance Reviews. Collation of supporting evidence and production of the 2012/13 Annual Governance Statement Audit reviews of governance arrangements for the Council's significant partnerships.	100	40	30
Corporate Risk Management	Progression of actions to support the Council's Risk Management Strategy including review of risk management processes and awareness raising and provision of guidance to services and partnerships.	40	10	5
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	75
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.	100	10	4
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.	100	20	20
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	190	25	42
Establishments	Reviewing governance and control arrangements across a range of establishments.	80	10	11
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.	150	20	35
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	110	27	19

	arrangements.			
Financial Appraisals	Financial Assessments of contractors and potential providers	70	17	14
TOTAL		1320 *	294	311

*Note: There are 1450 planned available days in total but 130 days relate to contingency.