

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 15 July 2020
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2020/21

Summary

This report was shared with Accounts and Audit Committee Members in March 2020, following the cancellation of the Accounts and Audit Committee meeting due to the COVID-19 pandemic. The purpose of the report is to provide, at a high level, the Internal Audit Operational Plan for 2020/21. The report also contains the Internal Audit Charter and Strategy, previously approved by the Accounts and Audit Committee in March 2019.

Given events since March 2020, the details in the Internal Audit Plan are subject to ongoing revision. In particular, between April and July 2020, the Internal Audit function has provided various support as part of the Council's COVID-19 response. This has included working with Exchequer Services in relation to support in administering the payment of business rates grants through April/May 2020. Audit has also been working with the Strategic Growth team since June 2020 providing input to the process of administering the payment of Discretionary Grants to businesses. This has included providing advice and input to measures to reduce the risk of error and fraud in the process.

Where possible, Audit has also continued with existing planned work but this has been subject to considerable disruption. There have been delays to finalising some reviews in progress by the end of 2019/20, whilst other reviews have been delayed due to emerging commitments and priorities of services across the Council in responding to the pandemic.

There will be a number of changes to planned work, both due to the work already completed as part of the COVID-19 response; and expected revisions to future planned work including the addition and postponement of some reviews.

Internal audit work, where applicable, is taking into account consideration of the impact of COVID-19. This includes both individual audit reviews in addition to support to corporate processes such as the Strategic Risk Register and contribution to the National Fraud initiative. The next main National Fraud Initiative exercise later in 2020/21 is expected to include the Council's response to COVID-19 in relation to grant

Payments.

The next Audit and Assurance update (for the period April to August 2020) will set out work completed during the period, including any support provided as part of the COVID-19 response. This will also provide initial indication as to review work expected to remain in the current year plan, reviews added to the plan and audits expected to be postponed and considered as part of future audit planning.

In continuing to undertake internal audit work through 2020/21, Internal Audit will take account of guidance produced by the UK Public Sector Internal Audit Standards Advisory Board: "Conformance with the Public Sector Internal Audit Standards during the coronavirus pandemic" and will report on conformance as required.

Recommendation

The Accounts and Audit Committee is asked to note that the 2020/21 Internal Audit Plan within this report, previously shared with Accounts and Audit Committee Members in March 2020, will be subject to changes through the year and updates will be provided to the Committee at future meetings.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
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Background Papers:

None



TRAFFORD
COUNCIL

Internal Audit Operational Plan 2020/21

Date: **March 2020**

Internal Audit Operational Plan 2020/21 – Audit and Assurance Service

1. Introduction

- 1.1 The 2020/21 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2020/21 Plan for approval.

2. Background

- 2.1 Local authorities continue to face challenges in delivering services with the limited resources available. Funding and cost pressures and increasing demand for some services emphasise how important it is that local authorities manage resources effectively, manage risks and consider opportunities to help achieve the corporate priorities. As part of this, councils need to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised. Internal Audit work aims to support the organisation by providing independent review of systems, processes and controls and provides a mechanism for identifying improvement actions required by the organisation.
- 2.2 Each year the Audit and Assurance Service produces a report setting out its annual internal audit plan for approval by the Corporate Leadership Team (CLT) and the Accounts and Audit Committee. Subsequent updates are then provided to CLT and the Accounts and Audit Committee through the year highlighting the work undertaken and progress against key areas of the plan. Actual work undertaken during the year against work planned is set out in the Annual Head of Internal Audit Report.
- 2.3 In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.4 The Audit and Assurance Service’s approach to undertaking internal audit work is set out in the following documents:
- Internal Audit Charter (This defines the purpose, authority and principal responsibilities of Internal Audit – See Appendix 3)
 - Internal Audit Strategy (This details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and

Assurance Service are met and the scope of it understood – see Appendix 4).

- Quality Assurance Programme (This sets out how the Service monitors its work to ensure adherence with standards; that it operates in an effective and efficient manner; and through its work adds value to the organisation – See Appendix 5).

The Internal Audit Charter, Strategy and Quality Assurance Programme documents have previously been reviewed and approved by CLT and the Accounts and Audit Committee in March 2019. There have been no revisions to these documents this year but it is planned that these will be further reviewed during 2020/21 for approval by March 2021.

3. Compilation of the Internal Audit Plan

- 3.1 The Operational Internal Audit Plan is produced to take into account coverage of risks and associated controls in place. At the end of the year an audit opinion is given as to the overall adequacy and effectiveness of the Council's control environment, which encompasses internal control, risk management and governance. An important consideration is that the plan should include good coverage across the Council's services and systems.
- 3.2 A number of factors are taken into account in compiling the plan based on statutory obligations, the Council's corporate priorities and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account.
- 3.3 The 2020/21 Internal Audit Plan takes account of risks in relation to financial resilience with reviews covering financial systems, budgetary control and the Council's asset investment strategy (See 5.2). Other areas of strategic risk are considered including review work in relation to cyber security (See 5.7), business continuity in the event of significant disruption and health and safety (See 5.4).
- 3.4 There is audit coverage across the Council's Corporate Directorates to reflect the Council's corporate priorities set out in the Corporate Plan. For instance, a wide variety of service audits are included within the Plan (as referred to in Section 5.9). The Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year and through information provided such as through risk registers, action plans, self-assessments and control / governance issues raised.
- 3.5 The Audit and Assurance Service has a number of obligations to take into account in producing the plan. For instance, time is set aside for the Service to co-ordinate the update of the Council's Strategic Risk Register (See 5.4) and input to the review of the Council's Annual Governance Statement (5.3). A specific category of audit time is also included to reflect

- the requirement for internal audit checks of information supporting particular grant claims (See 5.10).
- 3.6 The risk of fraud and corruption is considered as part of planning a wide range of audits and also dedicated work in relation to fraud risks takes place, including co-ordinating, with other teams, the Council's work in relation to the National Fraud Initiative (See 5.5)
 - 3.7 There is a programme of planned audits in place of the Council's maintained schools which includes providing assurance that schools are operating in accordance with the Schools Financial Value Standard (See 5.8).
 - 3.8. Plans take into account other audit, assurance or development work being undertaken in particular areas. This includes work by the External Auditor and where applicable reviews by other external bodies e.g. audit reviews planned in relation to Children's Services will take into account developments in relation to Ofsted findings and subsequent improvement actions. Where appropriate, account will also be taken of other internal reviews which may relate, for instance, to work in relation to Scrutiny or the Modernisation Programme. Where appropriate, the Internal Audit Plan will be revised through the year.
 - 3.9 Plans include co-ordination with partners to provide assurance. This includes ongoing liaison with other Internal Audit sections as part of the STAR Shared Procurement Service to co-ordinate planned work (See 5.6). Where appropriate, Audit will liaise with other Internal Audit teams such as other Greater Manchester local authorities and Trafford CCG.
 - 3.10 Time is allocated to follow up on control issues previously raised in 2019/20, including previous audit review work, to assess progress in implementing action plans, particularly where significant areas for improvement in controls have been identified. The plan highlights a number of follow up audits.
 - 3.11 The amount of time available to undertake the annual plan is identified, and individual areas of work selected taking into account the above factors. A contingency is also held to allow for unforeseen circumstances (For instance, previously in 2019/20 this was used to partly offset a reduction in days following the departure of staff during the year).
 - 3.12 For reporting and monitoring purposes the plan is divided into a number of categories although it should be noted that there are significant areas of overlap between them.
 - 3.13 There are a variety of activities undertaken to fulfil the plan and in addition to conducting internal audit reviews which result in the issuing of audit reports, work may also include providing input to project / working groups, providing guidance and advice, and providing input to council policies and

procedures (See 5.11). The Service also facilitates the production of a number of corporate reports presented to the Accounts and Audit Committee.

- 3.14 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risk are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, further elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Regular updates to CLT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report are further plans detailing work allocated to individual staff.
- 3.15 Time is set aside for the completion of reviews which had been included as part of the 2019/20 Plan. Work completed or in progress in 2019/20 and work carried forward to 2020/21 will be reflected in the Annual Head of Internal Audit Report to be completed by May 2020.
- 3.16 Assumptions in respect of available audit days are considered to provide the total planned days. For 2020/21, there are 1070 available operational audit days. There are currently 6 full-time internal audit staff expected to be in post in the Audit and Assurance Service for the start of 2020/21 plus resources of 50 audit days are to be purchased from Salford Internal Audit Services to undertake ICT audit work. Any further available staffing resources will be subject to review during the year.
- 3.17 In addition to the 1070 planned days shown, it should be noted that further time is allocated for a number of other activities undertaken that are not reflected in the analysis as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Mazars), development of audit systems, procedures and guidance, networking with other North West Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate additional time allocations are given to individual staff to undertake these activities.

4. Reporting / Performance Monitoring

- 4.1 Through the year, progress updates will be provided to CLT and the Accounts and Audit Committee (through periodic updates and the Annual Head of Internal Audit Report) which will refer to details of the performance and impact of audit and progress against the plan. This will include details of:

- Actual chargeable audit days against planned days allocated.

- Number of audit opinion reports issued against that planned for the year (Target of 38 audit opinion reports to be issued in 2020/21 to final or draft stage, with any remaining opinion reports listed to be issued in the following year (See Appendix 2 for planned audit opinion reports to be issued)).
 - The impact of audit recommendations made in terms of both initial acceptance and also implementation (the latter identified through follow up audit work).
 - A summary of feedback from managers in respect of client surveys, which is detailed in the Annual Head of Internal Audit Report.
- 4.2 Where reviews or other key areas identified in the 2020/21 Plan are not undertaken as scheduled, this will be reported in subsequent updates including the 2020/21 Annual Head of Internal Audit Report.
- 4.3 Updates through the year will also include commentary on Audit resources available if there are issues that may impact on completion of the plan.

5. Internal Audit Plan Coverage 2020/21

- 5.1 The plan is compiled to ensure coverage across a wide and diverse range of services, systems and thematic areas of coverage. Each of the main categories of work is described in the paragraphs below.

In Appendix 1, there is a summary of the planned work and an estimated time is allocated to each category. This includes an estimate of time profiled by quarter.

In Appendix 2, there is a listing of audit opinion reports to be issued. This also indicates reviews where reports are expected to be issued in quarter one of 2020/21. There is also an explanation of the audit opinion levels.

5.2 Financial Systems

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Previous assurance obtained in earlier audits will continue to be taken into account in planning the level of audit coverage within individual reviews.

Coverage will include review of the following systems during the year:

- Issue of a final report in relation to governance arrangements for the Council's asset investment strategy and further to this consideration of planning other review work in this area.
- Annual review of Treasury Management processes covering the financial year 2019/20.

- Accounts Payable system - A final internal audit report was issued in November 2019 and a further review will be undertaken towards the end of 2020/21 to follow up on progress in respect of implementing audit recommendations previously made.
- Further to work which has commenced in 2019/20, completion of an authority-wide of budgetary control review covering a number of different service areas across the Council.
- Other audits which commenced at the end of 2019/20 with final audit reports on the findings to be issued in the first quarter of 2020/21:
 - Housing Benefits / Council Tax reduction
 - Payroll system
- Accounts Receivable / Debt Recovery system - review originally planned to commence by the end of 2019/20 which will be undertaken in the first half of 2020/21.
- In relation to Children's Services:
 - Further to an audit report issued in April 2019 in respect of a review of the Children's Social Care payments system (Liquid Logic/ContrOCC), to issue a further report in the first quarter of 2020/21 covering findings from follow-up work undertaken.
 - A follow up is planned to be undertaken at the end of 2019/20 covering a previous audit review of Direct payments in January 2019. Any further work in this area will be considered following completion of this latest follow up work.
 - A review of systems, processes and controls to administer and monitor payments to Foster carers.
 - A review of administrative processes and controls for a number of higher value cash imprest accounts.
- In relation to Adult Social Care:
 - A review was undertaken at the end of 2019/20 of the Adult Social Care payment system (Liquid Logic / ContrOCC). In the first quarter of 2020/21 a final report will be issued containing findings from this review. Consideration will be given to any further review work in this area to commence towards the end of the year.
 - Adult Social Care Direct Payments – As per the review above, a final report will be issued in the first quarter of 2020/21 setting out findings from a review currently in progress and any further work in this area will be considered for later in the year.
- For a couple of financial systems subject to regular review where final audit reports have previously been issued in 2019/20 and high opinion levels provided, towards the end of 2020/21 plans will be agreed in terms of timing for respective future reviews. These relate to the following:

- Council tax
- Business Rates

By 31 March 2021, Councils are expected to demonstrate that they are working towards full implementation of the Financial Management Code, produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). This sets out the standards of financial management for local authorities. The aim of the Code is to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. During the year, Audit will liaise with the Financial Management service to assess progress in implementation of the Code.

Time will also be set aside for other issues and developments arising in respect of financial systems where further audit input or advice may be appropriate.

5.3 **Governance**

The approach for producing the Council's 2019/20 Annual Governance Statement (AGS) was set out in a report to the Accounts and Audit Committee in February 2020. Legal and Democratic Services lead in collating the AGS and Audit and Assurance will continue to work with them to provide support where required. Audit will complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance and feedback to Legal and Democratic Services on its findings.

Audit will liaise with Legal and Democratic Services and other service areas to identify, and consider the adequacy and effectiveness of, existing procedures in respect of the declaration of interests by Council staff.

Time will be set aside in the plan to provide internal audit input to other governance issues across the Council, including issues within the Council and through partnerships. This may take the form of sharing guidance or providing comment / advice in respect of ongoing developments which may also inform future planned audit work.

Where appropriate, Audit will liaise with partner organisations and time will be allocated for any assurance required to be provided in relation to Greater Manchester (GM) wide issues. This may include liaison with counterparts in other GM Councils, the Greater Manchester Combined Authority (GMCA), Trafford CCG and other organisations.

5.4 **Risk Management**

Time is allocated to review existing risk management arrangements across the Council and ensuring processes are evidenced. This will include continuing to facilitate the ongoing update of the Strategic Risk

Register. This provides assurance in respect of the highest strategic risks faced by the Authority in terms of the management and ongoing monitoring and mitigating actions for those risks - Risks such as in relation to national funding issues, business continuity, the impact of Brexit, safeguarding responsibilities, and in relation to the management of joint venture arrangements.

Audit will continue to monitor progress in relation to developments in business continuity to manage key risks associated with delivering service in the event of significant disruption, the importance of this area particularly highlighted given the recent coronavirus outbreak. This will include monitoring progress in implementing previous audit recommendations in this area and ensuring progress is tracked in strategic risk register updates.

An internal audit review of health and safety is planned to review this area of strategic risk, covering corporate processes in place.

There will also be an audit review of procedures and systems for managing and administering the Council's insurance arrangements.

The Service maintains corporate risk management guidance, available on the Council's intranet, which where applicable will be further updated during the year.

5.5 Anti-Fraud & Corruption

Fraud and corruption risks are considered as part of audit planning for individual audit reviews and where appropriate recommendations are made to reduce the risk of fraud.

The Service will also continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2020/21 exercise.

Specific cases of suspected internal fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year.

Audit and Assurance will continue to work with Legal and Democratic Services, Human Resources and other services as required to consider any updates required to individual policies and guidance supporting the Anti-Fraud and Corruption Strategy. This will include taking into account the expected launch of the new Local Authority Counter Fraud Strategy, "Fighting Fraud and Corruption Locally" at the end of March 2020.

5.6 Procurement / Contracts / Value for Money

Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money

and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.

As part of internal audit planning in relation to the STAR Shared Procurement Service, Audit liaises with both STAR and the Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans are agreed and relevant findings shared to ensure a co-ordinated audit process. At the time of this report, some planned review work had been agreed for 2020/21, with further areas to be confirmed later in 2020 as part of ongoing audit planning. To date, areas to be covered include the following:

- An audit was planned to commence towards the end of 2019/20, covering Social Value in procurement (in accordance with the Public Services Social Value Act 2012), incorporating monitoring in place across contracts within the authorities. This review is expected to be completed in the first half of 2020/21 (Lead – Trafford Council).
- Further work in relation to compliance with the Contract Procedure Rules (CPRs). Audit will continue to liaise with STAR in respect of progress regarding improvement actions to monitor adherence to the CPRs and will agree further audit review work. This will include considering processes for monitoring of spend data and procedures for approving exemptions to the CPRs and modifications to contracts.
- There will also be coverage in relation to contract management and the possible introduction of new systems to support this. It was agreed that Stockport Council will initially lead on this area.
- Follow-up of audits undertaken in 2019/20 where applicable. This is expected to include in relation to an audit of procedures for the processing of new vendor requests (Lead – Rochdale Council).

Confirmation of the above planned work and any other areas to be included in the 2020/21 Internal Audit Plan in relation to STAR will be reflected in the next Audit and Assurance update report later in 2020.

An audit report was issued in June 2019 in relation to the use of Purchase cards. These are used across a number of services, generally to enable one off or low value purchases, online purchasing or from suppliers where payment is required upfront. A follow up audit will be completed to assess progress in implementing previous recommendations.

Other review work across the Audit Plan will include consideration of aspects of procurement and contract management. Other review work may also be added to the Plan to take into account developments in the Council in these areas such as in relation to Commissioning and developments in relation to the Council's One Trafford Partnership.

5.7 Information Governance (IG) / Information, Communications and Technology (ICT)

This block of work covers both ICT auditing as well as the review of information governance processes across the Council. Risks in relation to cyber security and information governance are two key areas of risk currently listed on the Council's strategic risk register.

The audit of ICT covers the review of procedures, processes and controls across a range of computer systems and technical solutions. Salford Internal Audit Services undertake a significant part of this work and also contribute to audit planning in respect of this area. The following work has been planned to date:

- Further to a review undertaken towards the end of 2019/20 of cyber security based primarily on the National Institute of Standards and Technology (NIST) Cyber Security Framework, a further review is planned later in 2020/21 to focus on particular protection systems to gain assurance that these are functioning to an agreed standard and are being managed effectively.
- Further to work which commenced towards the end of 2019/20 on an ICT Service Management review following, where applicable, the ITIL framework (a detailed set of practices for IT service management that focuses on aligning IT services with the needs of business), further work is planned in 2020/21 before findings are reported later in 2020.
- An audit review of the adequacy and effectiveness of ICT security in schools which will be completed using a sample of Trafford schools.
- An Asset Management review to provide assurance that ICT assets are being effectively managed from acquisition to disposal.
- Completion of an IT Application Management review covering the controls in place in relation to the Civica system utilised by the Revenues and Benefits Service.
- Time may also be allocated to consider other developments, such as in relation to the implementation of new systems, the digital strategy and the Council's disaster recovery processes.

Audit work also encompasses wider information governance aspects:

- Further to work which is due to commence towards the end of 2019/20, the completion of a follow up audit in relation to the Council's processes for managing the risks of data breaches, taking into account the requirements of the General Data Protection Regulations (GDPR).

- An audit review of procedures in relation to dealing with Subject Access Requests (SARs), ensuring the requirements of GDPR are being met. This review was originally planned for 2019/20 but, in agreement with the relevant service has been rescheduled to 2020/21 given procedures and systems are currently under review.
- An audit review has also been planned for 2020/21 of procedures in relation to dealing with Freedom of Information requests.
- In liaison with the Information Governance team and other services as appropriate consider other areas of risk and consideration of further possible audit work. This may include issues arising from the Council's completion of the NHS Information Governance Toolkit.

5.8 Schools

As part of the Schools Financial Value Standard (SFVS), schools are required to submit a declaration to show adherence to the Standard by 31 March each year. The audit work programme takes into account the standards expected when evaluating the adequacy and effectiveness of internal controls, governance and risk management at individual schools. Information provided in SFVS assessments submitted is utilised by Audit and Assurance to assist in planning and undertaking school audits.

Based on a risk assessment, taking into account the information above, previous work undertaken at each school and liaison with relevant services, it is planned that 14 school audits will be undertaken. Audit reports will be issued as part of each audit review.

As part of follow up audit work, requests will be made from schools previously audited in 2019/20 to provide updates regarding progress in implementing audit recommendations made.

In addition, Audit will continue to liaise with relevant services, including Finance, in relation to schools related issues including sharing findings and considering risk areas and future planned audit coverage.

5.9 Assurance – Other Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the plan, including director's / senior managers' recommendations, risk registers and areas identified by the Audit and Assurance Service. Reviews may cover individual services, establishments, functions and authority wide issues and risks to ensure a broad coverage of audit work across the Council.

For service/establishment related reviews, risks reviewed may encompass a number of areas of control such as procedures and responsibilities, adherence to legislation, budgetary control, Payroll/HR related processes,

risk management, security (of cash, assets and data), expenditure; income collection and recording, data quality, performance monitoring, information governance and other risks specific to the objectives of the service under review.

Audit reviews are included in the plan as follows (with the relevant Corporate Directorate(s) shown in brackets):

- Reviews included in the 2020/21 Internal Audit Plan:
 - Troubled Families (Children's Services) - Review to provide assurance on systems and process in line with requirements set out by the GMCA.
 - External Residential Placements (Children's Services) - Scope of review to be agreed further to the completion of an earlier review of budgetary control processes
 - Social Care transitions (Children/Adult Services) – Review of processes to be considered further to the completion of relevant external reviews and developments in Council policies in relation to transfers from Children's to Adults' Social Care.
 - Liberty Protection Safeguards (Adult Services) – New legislation is due to come into force from October 2019 replacing the Deprivation of Liberty Safeguards System to provide protection for those deprived of their liberty as part of their care or treatment. Review of processes in place to be considered further to any new guidance being issued.
 - Blue Badges (Governance and Community Strategy) - Review of administrative processes for the issuing of Blue Badges.
 - Complaints system (Governance and Community Strategy) – Review of the Council's system and processes for recording complaints and tracking responses.
 - Housing Waiting List (Place) - A review undertaken of the administration of the Housing Waiting List administered by Housing Options Service Trafford (HOST).
 - Let and Operational Estates (Place) - review of systems for administering the Council's Estates through the One Trafford Partnership with Amey, including collection of income and fulfilling landlord responsibilities.
 - Building Control (Place) - Review to include systems and processes for dealing with Building Regulation applications
 - Safety at Sports Grounds (Place) - Review of the Council's processes for fulfilling its statutory responsibilities.
 - Outdoor Advertising (Place) – Processes for arranging outdoor advertising across the borough including collection of income and contract management.

For the above reviews, Audit and Assurance will contact individual services to agree the detailed scope of the reviews prior to any work being undertaken.

- Follow up work in respect of previous audit work undertaken in 2019/20 will be completed. This will include the following audit review:
 - Licensing (Place)

- A number of other audit reviews completed in 2019/20 will be followed up. Further audits are not currently planned but managers will be asked to provide updates on progress made with previously agreed recommendations. These include the following where audits had previously been undertaken with reports issued in 2019/20:
 - Music Service (People)
 - Altrincham Library (Governance and Community Strategy)
 - Development Management (Place)
 - Tree Unit (Place)

- In agreement with respective Directorates, some reviews have been rescheduled from commencing in 2019/20 to be included in the 2020/21 Plan. These are as follows:
 - Aids and Adaptations (Adult Services) – a follow up review due to commence in Q1 of 2020/21.
 - Recruitment processes (People) – The audit was agreed to be rescheduled to later in 2020/21 in light of expected review work within this area as part of the Council’s Modernisation Programme.
 - Strategic Growth Team (Place) - The audit was agreed to be rescheduled to later in 2020/21 in light of expected review work within this area as part of the Council’s Strategic Services Review.

- There will also be time allocated for the commencement or completion of any other work expected to not be completed by the end of March 2020. This will be reflected in the 2019/20 Annual Head of Internal Audit Report. This will include the following list of audit reviews previously detailed in the 2019/20 Internal Audit Plan:
 - Sale Waterside Arts Centre (Governance and Community Strategy)
 - Flixton House (Governance and Community Strategy)
 - Out of Borough Education Placements (Children’s Services)
 - Home to School Transport (Children’s Services)

Where applicable, time will also be set aside to review other potential issues and risks raised through 2020/21 and plan further audit work beyond this:

- Further to future developments in relation to the Council’s action plan towards reducing carbon emissions, it was agreed that further

audit review work in relation to energy management will be considered later in the year.

- Further to discussions with various services, other areas may be added to the Plan or are being considered for inclusion in 2021/22. These include possible audit areas within Children's and Adult Services.

5.10 Data Quality/Grant Claims

A block of time is included in the plan for review of grant claims and other data quality checks made through the year where the internal audit function is required as part of the review/sign off process.

There will be a requirement for Audit input to sign off the 2019/20 grant claim in respect of the Disabled Facilities Grant by 31st October 2020 and submit to the Ministry of Housing, Communities and Local Government.

Similarly, there will be a requirement for Audit input to sign off the 2019/20 Basic Need Grant (Schools Capital Funding).

Audit will be notified of other grant claims and returns to be checked at various stages during the year, which is also expected to include highways maintenance funding. Work actually completed will be reported in Audit updates through the year and in the Annual Head of Internal Audit Report.

5.11 Service Advice / Project support

The Audit and Assurance Service provides advice across the Council on governance, control and risk issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, and liaison with services. It may include, for instance, support and advice as part of project groups or liaison with services in respect of the development of new systems, processes and associated controls.

The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption. This will be updated where appropriate through the year.

Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from CLT and the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

2020/21 Operational Audit Plan – Allocation in Days

Appendix 1

<u>Category</u>	<u>Details</u>	<u>Impact of Audit and Assurance's work</u>	<u>Planned Days</u> (Profiled by each quarter of year – Q1/Q2/Q3/Q4)
Financial Systems	<p>Coverage, includes audits of fundamental financial systems reviews as described in section 5.2:</p> <p>Advice in relation to consideration of new systems / system development.</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council's position in respect of its external audit review.</p>	<p>175 (45/40/45/45)</p>
Governance	<p>Coverage as described in section 5.3:</p> <p>Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Declaration of interests (Officers) review.</p> <p>Advice / assurance in respect of governance issues.</p>	<p>Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities.</p> <p>The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.</p>	<p>20 (7/3/3/7)</p>
Corporate Risk Management	<p>Coverage as described in section 5.4. and Appendix 2 Includes:</p>	<p>Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the</p>	<p>40 (5/12/15/8)</p>

	<p>Facilitating the updating of the Council's strategic risk register.</p> <p>Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.</p>	<p>allocation of resources. The work also supports the Council in evidencing good practice undertaken when subject to inspection and review.</p>	
<p>Anti-Fraud & Corruption</p>	<p>Coverage as described in section 5.5:</p> <p>Co-ordinate the Council's activity in respect of the National Fraud Initiative ensuring work completed across services in investigating data matches is progressed in accordance with Cabinet Office requirements.</p> <p>Contributing to Investigations of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Anti-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</p>	<p>Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption. Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.</p>	<p>80 (20/20/20/20)</p>
<p>Procurement / Contracts / Value for money</p>	<p>Coverage as described in section 5.6:</p> <p>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).</p>	<p>Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.</p>	<p>70 (15/10/10/35)</p>

	Audit Opinion Reports to be issued as listed in Appendix 2.		
Information Governance / Information, Communications and Technology	<p>Coverage as described in section 5.7:</p> <p>ICT Audit reviews and advice conducted by Salford Internal Audit Services.</p> <p>Information Governance audit reviews</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems.</p> <p>Assurance to managers who place significant reliance on ICT systems for the delivery of services.</p> <p>Contribution to the review and further development of the Council's information governance arrangements.</p>	<p>100 (15/25/25/35)</p>
Schools	<p>Coverage as described in section 5.8:</p> <p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.</p> <p>Planned audits to date are listed in Appendix 2.</p>	<p>Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by the DfE.</p>	<p>170 (45/30/45/50)</p>
Assurance – Other Business Risks	<p>Coverage as described in section 5.9:</p> <p>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:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. 	<p>This work enables Internal Audit to provide a breadth of assurance across the Council that there are adequate governance and control arrangements in place, that policies and procedures are being implemented, that risks are being managed, and outcomes delivered.</p>	<p>260 (38/73/67/82)</p>

	Audit Opinion Reports to be issued as listed in Appendix 2.		
Grant claims checks / Data Quality	<p>Coverage as described in section 5.10:</p> <p>Internal audit checks of grant claims / statutory returns and other data quality checks as required:</p> <p>Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off.</p>	<p>Ensuring the Council adheres to requirements in submitting relevant grant claims where Internal Audit input is required, providing assurance regarding the accuracy of data and supporting information reviewed.</p>	<p>25 (5/12/5/3)</p>
Service Advice / Projects	<p>Coverage as described in section 5.11:</p> <p>General advice and guidance, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</p>	<p>Support to services, groups, project teams etc. around the relevance and application of corporate policies, procedure rules and good governance arrangements.</p> <p>Contributing to the delivery of effective project outcomes including input to the consideration of key risks and appropriate controls considered in the development of new systems, functions and procedures.</p>	<p>60 (15/15/15/15)</p>
		Total Allocated Days	1000 (210/240/250/300)
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	70
		Total Planned Days	1070
		Available Days	1070
		Surplus/Deficit for Year	0

2020/21 Internal Audit Plan – Audit Opinion Reports
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Category	Audit Opinion Reports
Financial Systems	<ul style="list-style-type: none"> - Housing Benefit / Council Tax Reduction (Finance and Systems)* - Payroll (People)* - Asset Investment Strategy (Authority-Wide)* - Adult Social Care Payments System - Liquid Logic/ContrOCC (Adult Services)* - Children's Social Care Payments System - Liquid Logic/ContrOCC (Children's Services)* - Direct Payments (Adult Services)* - Accounts Receivable / Debt Recovery (Finance and Systems) - Budgetary Control (Authority-wide/Finance and Systems) - Accounts Payable (Finance and Systems) - Treasury Management (Finance and Systems) - Foster Carer payments (Children' Services) - Cash handling (Children's Services)
Risk Management	<ul style="list-style-type: none"> - Health and Safety (People / Authority-wide) - Insurance (Finance and Systems)
Procurement / Contracts / Value for money	<ul style="list-style-type: none"> - Social Value in Procurement (STAR authorities – Trafford lead) (Finance and Systems)* - Purchase cards follow-up audit (Finance and Systems) - Based on details per Section 5.6, further reports to be issued during the year to be confirmed in Q1&2 2020/21 in liaison with STAR and partner authorities and will be listed in subsequent Audit Plan progress updates).
Information Governance / ICT Audit	<ul style="list-style-type: none"> - Data breaches (Governance and Community Strategy/Authority-Wide)* - Subject Access Requests (Governance and Community Strategy / Authority-Wide) - Freedom of Information Requests (Governance and Community Strategy / Authority-Wide) - Civica System IT Application review (Finance and Systems) * - ICT Service Management (Finance and Systems) - Cyber Security (Finance and Systems / Authority-wide) - ICT Asset Management (Finance and Systems) - ICT Security in Schools (Finance and Systems / Children's Services)
Schools	<p>14 School Audits (Children's Services)</p> <p>The full list of school audit reports to be issued will be confirmed through 2020/21 and listed in updates through the year. To include</p>

	reports to be issued for the following schools: - St. Alphonsus RC Primary School * - Victoria Park Junior School * - Moorlands Junior School - 11 other schools audits to be undertaken in 2020/21.
Assurance – Other Business Risks	<ul style="list-style-type: none"> - Sale Waterside Arts Centre (Governance and Community Strategy)* - Flixton House (Governance and Community Strategy)* - Blue Badges (Governance and Community Strategy) - Complaints System (Authority-Wide / Governance and Community Strategy) - Recruitment Processes (People) - Aids and Adaptations (Adult Services) - Liberty Protection Safeguards (Adult Services) - Social Care Transitions (Children’s/Adult Services) - Troubled Families (Children’s Services) - Children’s external residential placements (Children’s Services) - Out of Borough Education Placements (Children’s Services) - Home to School Transport (Children’s Services) - Licensing (Place) - Building Control (Place) - Housing Waiting List (Place) - Let and Operational Estates (Place) - Outdoor Advertising (Place) - Safety at Sports Grounds (Place) - Strategic Growth Team (Place)

*Denotes reviews where final audit reports are expected to be issued in Quarter One of 2020/21, which includes some reviews carried forward from 2019/20. Planned completion of work in the remainder of the year to be advised in subsequent Audit and Assurance update reports.

Note:

A target number of 38 of the above reports is planned to be issued during 2020/21 with remaining reports for reviews to have commenced in 2020/21 to be issued in the following year.

In addition, there may be other audit opinion reports issued in addition to the above which may relate to audit coverage described in Section 5 of this report or relating to other issues arising during the year.

Audit Opinion Levels

For the above reviews listed, an audit report will be issued and an audit opinion will be provided. Opinion levels are set as follows:

Audit Opinion Level	Description
High	Very good standard of control. All high risk areas are adequately controlled.
Medium/High	Good standard of control. A small number of high risk areas require control improvements.
Medium	Adequate standards of control. Control improvements are required for a number of high risk areas.
Low/Medium	Marginal standard of control. Some business risks are controlled effectively. Control improvements are required for a significant number of high risk areas.
Low	Unsatisfactory standard of control. Controls in place to address business risks are not adequate.



TRAFFORD
COUNCIL

Internal Audit Charter

Audit and Assurance Service (March 2020)

TRAFFORD COUNCIL

AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 Section 151 of the Local Government Act 1972 requires Councils to “make arrangements for the proper administration of their financial affairs”. More specific requirements are detailed in the Accounts and Audit Regulations 2015 in that the relevant authority must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 1.2 The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function at Trafford which is provided by the Audit and Assurance Service.
- 1.3 The Audit and Assurance Service is required to operate in accordance with the UK Public Sector Internal Audit Standards. The Standards are mandatory for all internal auditors working in the UK Public Sector.

2. Definitions

Internal Audit

- 2.1 “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Public Sector Internal Audit Standards).
- 2.2 CIPFA provide further details in their PSIAS Local Government Application Note : “Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

The “Board” and “Senior Management”

- 2.3 The Public Sector Internal Audit Standards (PSIAS) require that the internal audit charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the Council’s Accounts and Audit Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management will be defined on an individual basis according to individual context but will usually refer to the Corporate Leadership Team (CLT).

3. Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing

3.1 The Mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. In order to achieve this, in accordance with the PSIAS, it should operate in accordance with the following core principles:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement.
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4. Status

4.1 The Audit and Assurance Service forms part of Financial Management within the Finance and Systems Directorate.

4.2 Internal Audit's authority derives directly from its statutory responsibilities and the Procedure Rules established by the Council.

4.3 The responsibility for the production and execution of the internal audit plan and subsequent audit activity rests with the Audit and Assurance Manager. The Audit and Assurance Manager reports to the Deputy Director of Finance and the Corporate Director of Finance and Systems (Section 151 Officer) but will also report directly to the Chief Executive where required.

5. Reporting Lines

5.1 The work of the Audit and Assurance Service is reported directly to the Chief Executive; to members via the committee charged with responsibility for audit and governance (The Accounts and Audit Committee, defined by the term "Board" under PSIAS) and to Executive members. The work of the Accounts and Audit Committee is also reported annually to the Council.

5.2 Internal audit assignments are the subject of formal reports. These reports are sent to the relevant Corporate Director and Head of Service together with relevant managers. The Executive member with portfolio responsibility, Chief Executive, Corporate Director of Finance and Systems, Deputy Director of Finance and External Audit will receive copies of the internal audit reports. The Monitoring Officer will also receive copies of audit reports at the discretion of the Audit and Assurance Manager. Reports are issued initially as drafts and, following agreement as to contents and responsibility for implementing recommendations, a final report is issued. The Accounts and Audit Committee is provided with a listing on a periodic basis of each audit report, summarising the findings and stating the audit opinion given.

6. Independence

6.1 The Audit and Assurance Service will be sufficiently independent of the activities being audited so that auditors are able to make impartial and effective professional judgements and recommendations.

6.2 Internal Audit will determine its priorities in consultation with the Accounts and Audit Committee.

6.3 The Audit and Assurance Manager will report impartially in his or her own name.

6.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of audit work (whether for personal reasons or through managing or undertaking any non-audit duties), this will be managed through the internal audit management and supervisory process. Work will be re-assigned where appropriate. Staff are required to declare any potential conflict of interest and a signed declaration from each member of staff is required on an annual basis. In the event that the Audit and Assurance Manager has responsibility for any activity relating to non-audit duties, to ensure independence is not impaired, the Audit and Assurance Manager would not be directly involved in the audit of this activity and arrangements would be agreed with the Section 151 Officer.

6.5 Adequate budgetary resources will be made available to enable the Internal Audit function to maintain its independence.

7. Responsibilities

7.1 The main objective of the Audit and Assurance Service is to provide the Council with an independent and objective opinion on the Council's control environment.

7.2 The Audit and Assurance Service should play a key role in shaping the ethics and standards of the Council and where appropriate, act as a catalyst for change and improvement.

7.3 The scope of internal audit work will cover all the Council's activities and encompass both the financial and non-financial aspects of the control environment. This includes activities undertaken in partnership with other

organisations where assurance will be sought in accordance with agreed protocols including access rights.

- 7.4 Internal audit work comprises an independent and objective review of the control environment. The key elements of the control environment include:
- (a) Establishing and monitoring the achievement of the organisation's objectives
 - (b) The facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the council, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
 - (c) Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness
 - (d) The financial management of the Council and the reporting of financial management
 - (e) The performance management of the Council and the reporting of performance management.
- 7.5 The Council's assurance and performance management framework will be taken into consideration when determining the work of Internal Audit. The key elements of the assurance and performance management framework are:
- Risk management both at the strategic and operational levels
 - The monitoring of key Council objectives and targets by the Corporate Leadership Team
 - Business planning - the identification and monitoring of key business targets by individual services
 - Self-assessments by managers of the operation of controls for which they are responsible
 - Reviews by External Audit
 - Reviews by other external agencies
 - Scrutiny reviews
 - Previous work of Internal Audit and the Accounts and Audit Committee.
- 7.6 Particular attention will be devoted to any aspects of the control environment affected by significant changes within the organisation's risk environment.
- 7.7 The Audit and Assurance Manager will also make a provision, in the scope of Internal Audit's work, to form an opinion where key systems are operated by the Council on behalf of other bodies or other bodies are operating key systems on behalf of the Council.
- 7.8 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.
- 7.9 The Audit and Assurance Manager will give an opinion on the operation of the Council's control environment, which encompasses internal control, risk management and governance. This is set out in the annual Head of Internal Audit report.

7.10 The Audit and Assurance Service will also take a lead role in supporting the work of the Accounts and Audit Committee. This will include co-ordinating the committee's work programme in agreement with committee members and supporting the committee to report on its work undertaken.

8. Fraud and Corruption

8.1 The Audit and Assurance Service works with other services including the Counter Fraud and Enforcement Team, Human Resources and Legal Services to maintain the Council's anti-fraud and corruption policy, strategy and supporting guidance. The Service also works with others to raise awareness of anti-fraud measures across the Council and fraud risks are considered as part of Internal Audit review work.

8.2 The Audit and Assurance Manager will be informed of suspected or detected fraud, corruption or impropriety, so that he or she can consider the adequacy of the relevant controls and evaluate the implications of fraud and corruption for his or her opinion on the internal control environment.

9. Access

9.1 The Audit and Assurance Service will have unrestricted direct access to all members, council personnel, records (whether manual or computerised), cash, stores, and other assets and may enter council property or land to obtain such information and explanations considered necessary to fulfil the responsibilities of an internal audit function. Such access shall be granted on demand and not be subject to prior notice and will also extend to partner bodies or external contractors working on behalf of the authority insofar as such access relates to work carried out or services provided on behalf of or in partnership with the authority. In respect of issues where clarity may be required in relation to access rights e.g. in relation to specific partnership arrangements, Audit and Assurance will seek advice, e.g. from relevant service areas such as Legal Services.

10. Limitations of Internal Audit Responsibilities

10.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in section 7 above, it should be noted that the Internal Audit function is not responsible for:

- Controlling the risks of the authority.
- Establishing and maintaining systems of internal control.
- Determining operational policies or procedures.

11. Resources

11.1 The Audit and Assurance Manager will hold a relevant professional qualification; have wide experience of audit and management and will be responsible for ensuring that the Audit and Assurance Service is appropriately staffed in terms of numbers, grades, qualification levels and experience.

- 11.2 The Audit and Assurance Manager will ensure that appropriate provision is made for maintaining and developing the competence of audit staff. All internal auditors will undertake a programme of continuing professional development to maintain and develop their skills. A record of training and development undertaken and planned will be maintained.
- 11.3 The Audit and Assurance Manager is responsible for ensuring that the resources of the Audit and Assurance Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient this will be formally reported to the Section 151 Officer, Chief Executive and, if the position is not resolved, to Members charged with responsibility for audit and governance (Accounts and Audit Committee).

12. Consultancy

- 12.1 Consultancy comprises the range of services, other than assurance services, provided by Internal Audit to assist management in meeting the objectives of the Council. This may include facilitation, process design, training, and advisory services. The Audit and Assurance Manager will be responsible for deciding what level of consultancy support Internal Audit can provide. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the planned annual assurance process.
- 12.2 In the event that the Service has previously performed consulting services, in planning the allocation and scoping of future assurance work, account will be taken of consultancy work performed in that area to ensure that independence and objectivity is not impaired.
- 12.3 Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

13. Review

- 13.1 The Internal Audit Charter will be subject to regular review, the results of which will be reported for approval by the Corporate Leadership Team and the Accounts and Audit Committee.

Mark Foster
Audit and Assurance Manager
March 2020



TRAFFORD
COUNCIL

Internal Audit Strategy

Audit and Assurance Service (March 2020)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

INTERNAL AUDIT STRATEGY

1. Introduction

- 1.1 The Internal Audit Charter defines the purpose, authority and principal responsibilities of Internal Audit. The Internal Audit Strategy set out in this document details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and Assurance Service are met and the scope of it understood.
- 1.2 The Audit and Assurance Service is required to deliver a risk-based audit plan in a professional independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment (which encompasses internal control, risk management and governance); and, where applicable, to make recommendations to improve it.
- 1.3 The Strategy Statement below sets out the key requirements for ensuring the Audit and Assurance Service fulfils its role effectively. The Statement sets out the overarching vision and aims of the Service. Details of how these requirements are to be met are set out in sections 3 to 8 of the Strategy.

2. Strategy Statement

- 2.1 The Mission and Core Principles for Internal Audit are defined in the Internal Audit Charter, in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Audit and Assurance Service should work to these in its planning and service delivery. (See Section 3.1 of the Internal Audit Charter).
- 2.2 The Audit and Assurance Service plays a key role in shaping the ethics, values and standards of the Council. The Service should be professional, challenging and innovative, acting as a catalyst for change and improvement by:
 - Ensuring its work adds value and maximises assurances to the Council about its positive impact on the achievement of corporate objectives and service delivery;
 - Having a sound knowledge of the organisation, being forward looking and aware of local, regional and national agendas and their impact on the Council;
 - Ensuring the service is flexible, works in partnership with managers, invests in good working relationships with all stakeholders and responds effectively to the changing needs of the Council;
 - Having sufficient resources to effectively deliver the vision and uphold professional standards, particularly officer resources with the number, skills mix, knowledge and experience to achieve this.

3. Service Provision

- 3.1 The Internal Audit function is provided by the Audit and Assurance Service, which is part of Financial Management within the Finance and Systems

Directorate. Day to day management is the responsibility of the Audit and Assurance Manager who reports both to the Deputy Director of Finance (line manager) and also reports directly to the Corporate Director of Finance and Systems (Section 151 Officer) on all key internal audit related matters. The Service maintains independence in its reporting as set out in its Charter and associated procedures.

3.2 Internal audit services to the Council are currently provided by in-house resources and are complemented by bought-in resources as follows:

- Specialist ICT audit resources are provided by Salford Internal Audit Services. This arrangement was originally agreed by the Association of Greater Manchester Authorities as part of a review of joint working whereby Salford City Council provide specialist resources for use by all the Greater Manchester authorities. These specialist resources are used to complement in-house resources.
- Internal audit resources will be bought-in if the Audit and Assurance Manager, in agreement with the Deputy Director of Finance and Corporate Director of Finance and Systems, considers this to be necessary to ensure completion of the internal audit plan, and if resources permit this approach. The engagement of bought-in internal audit resources will be reported to members charged with the responsibility for audit and governance. (Recognition will be given to potential conflicts of interest where bought in internal audit resources also provide non internal audit services to the Council).

3.3 The Audit and Assurance Manager is responsible for ensuring that all internal audit work complies with the Internal Audit Charter and the Public Sector Internal Audit Standards.

4. Audit Planning

4.1 A risk based Audit and Assurance Service plan will be produced on an annual basis. This will be derived from the 'Audit Universe' which comprises all auditable areas in the control environment. Work will be planned to ensure adequate assurance is provided towards the completion of the Council's Annual Governance Statement.

4.2 Resources will be allocated taking into account assurance levels required, risks involved and the potential impact of the work. The planned programme of work will be informed by:

- assurance required to be provided as a Council
- assurance gained from other sources other than internal audit work including external audit and other inspectorates, service self-assessments etc.
- knowledge and understanding of the organisation including future priorities and potential impacts
- detailed consultation with key stakeholders.

4.3 Factors to be taken into account when undertaking a risk assessment of auditable areas will take account of the council's assurance and performance management framework including:

- Risk management both at the strategic and operational levels
- Monitoring of key council objectives and targets by the Corporate Leadership Team
- Directorate and Service Business Planning arrangements
- Governance and control self-assessments by managers of the operation of controls for which they are responsible
- Reviews by External Audit and other external agencies
- Other internal reviews including scrutiny work
- Previous internal audit and Accounts and Audit Committee findings.

4.4 The Annual Internal Audit Plan lists the areas to be audited and the resources required. Audit reviews and other programmes of work will focus both on strategic and operational issues. To ensure adequate flexibility, audit work will involve a number of different methods of delivery i.e. traditional internal audit reviews; provision of guidance; awareness raising; advice to project / working groups etc. The plan will be prepared to ensure:

- Fundamental financial systems are reviewed on a cyclical basis.
- Adequate resources are set aside for anti-fraud and corruption work including investigating suspected cases and raising awareness across the Council.
- Adequate resources are included to enable reviews of the Council's corporate governance and risk management arrangements.
- The Council's ICT systems and information governance processes are subject to adequate internal audit coverage.
- Procurement and contracts arrangements across the council are reviewed.
- Internal Audit fulfils its role in auditing schools, supporting the process by which schools are required to meet the Schools Financial Value Standard.
- Adequate coverage of other key business risks including individual coverage of authority-wide issues, individual services, establishments, partnerships, programmes and projects.

4.5 Provision is made to follow up work completed in previous periods. The plan also contains a contingency for unforeseen changes which may necessitate a change in priorities.

4.6 The Internal Audit Plan is flexible and will be kept under review and will be revised to take account of changes in the risk environment. Significant changes in the plan will be reported to the Corporate Leadership Team and to the Accounts and Audit Committee.

5. **Service Delivery**

5.1 There will be close working with management in agreeing the scope of individual audit assignments. The planning and scoping process takes into account any significant factors, developments and key risks to ensure the internal audit review of that area will add value for the Council.

5.2 The ongoing development of the Audit and Assurance Service's knowledge base will provide an effective source of information as part of the planning

process. Knowledge will be developed by various means including ongoing liaison and discussion with managers and other key stakeholders.

- 5.3 Individual Audit and Assurance projects will have, within the overall project time allocation, planned time to allow the Audit and Assurance Officer(s) to research and build their knowledge of the area (proportionate to the nature/complexity of the review).
- 5.4 The Audit and Assurance Manager will ensure that there are documented protocols and procedures for planning and conducting audits, setting out the standards for the service. These will be set out in the Audit Manual. The Audit and Assurance Manager will monitor performance against the standards set out in the Audit Manual and other relevant documents.

6. Reporting

- 6.1 Reporting arrangements for the Audit and Assurance Service are set out in protocols which form an integral part of the Service's Audit Manual.
- 6.2 The approach to reporting, delivering opinions and supporting conclusions, and developing associated improvement actions will be flexible. This will be to ensure that officer resources are effectively utilised, the needs of recipient managers/stakeholders are met, the necessary assurance is provided and the form of reporting maximises ownership and impact of resulting improvement actions / organisational change being recommended.
- 6.3 For individual audit assignments, where internal audit recommendations are made, these will be discussed with management prior to the issue of audit reports. The findings from the audit will be reported, clearly identifying and explaining the key risks and control weaknesses, with the relative priority of recommendations clearly communicated. Following each audit, the client manager will have the opportunity to provide feedback via the client satisfaction survey.
- 6.4 Progress against the annual internal audit plan will be monitored by the Audit and Assurance Manager and reported to the Corporate Leadership Team and to the Accounts and Audit Committee on a regular basis.
- 6.5 The Audit and Assurance Service will give an overall opinion each year on the Council's risk management, control and governance arrangements to support the Annual Governance Statement. The Internal Audit opinion on the control environment will be given in the Annual Head of Internal Audit Report, which will be presented to the Corporate Leadership Team and the Accounts and Audit Committee.

7. Staffing / Resources

- 7.1 In order to deliver the Internal Audit Strategy and comply with professional standards, it is important that the Audit and Assurance Service comprises staff with the appropriate skills and experience.

- 7.2 Audit and Assurance officers are expected to undertake continuing professional development as appropriate and undertake training / development activities, both for personal development and to ensure there is an effective skills balance within the Service.
- 7.3 The Service operates personal development and review processes in line with the Council's policy as well as professional good practice. Ongoing training and development needs are identified as part of this process. In addition to internal training, such as through e-learning, shadowing the work of colleagues etc., available training provided by key providers such as CIPFA and IIA is considered and where appropriate included within the ongoing programme of training. Training and development needs are reviewed regularly.
- 7.4 The Service has a clearly defined code for staff encompassing ethics, conduct and values in accordance with the Public Sector Internal Audit Standards. Staff are required to complete and sign a declaration statement in line with the PSIAS Code of Ethics.
- 7.5 If resources, including staffing, are insufficient for the Audit and Assurance Service to provide an opinion on the control environment, the Audit and Assurance Manager will report this to the Deputy Director of Finance, Corporate Director of Finance and Systems, Chief Executive and to the Accounts and Audit Committee.

8. Ongoing Development Actions

- 8.1 The Service reviews its procedures, systems and working methods on a regular basis. This includes a review, at least annually, against the Public Sector Internal Audit Standards through either an internal or external assessment. Details are reported to the Accounts and Audit Committee within the Head of Internal Audit Annual Audit Report. The Service has a Quality Assurance Improvement Programme setting out its quality review processes in place which includes details in respect of both internal and external assessments (See Appendix 5).
- 8.2 There are a number of areas that are subject to ongoing or periodic review to ensure standards are maintained and where possible improvements made. The following will continue to be considered as part of ongoing service planning and monitoring of performance:
- Consider the ongoing appropriateness / application of audit procedures and protocols both in ensuring these continue to meet the organisation's requirements and remain in accordance with the Public Sector Internal Audit Standards.
 - Continue to consider and where appropriate, adopt, various approaches to audit reporting taking into account client feedback.
 - Continue to consider training and development needs of staff to ensure there remains adequate knowledge and expertise in specific areas of audit activity.
 - As part of ongoing audit planning, continue to consider the approach to gathering assurance including collaboration with other Internal

Audit providers e.g. in respect of audit reviews of partnerships and other arrangements where there is collaboration between organisations.

- Continue to consider appropriate means of raising awareness of key governance and control issues. Ensure content on the Audit and Assurance Intranet site is regularly reviewed to ensure it is up to date and provides effective guidance.
- Ensure methods of working take into account any changes in the organisational structure, accommodation issues, technology, agile working protocols etc.

9. Review

- 9.1 The Internal Audit Strategy will be subject to regular review, the results of which will be reported to the Accounts and Audit Committee and the Corporate Leadership Team.

Mark Foster
Audit and Assurance Manager
March 2020



TRAFFORD
COUNCIL

Quality Assurance Improvement Programme - Audit and Assurance Service

Audit and Assurance Service (March 2020)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

Quality Assurance Improvement Programme

1. Introduction

- 1.1 The Audit and Assurance Service Quality Assurance and Improvement Programme (QAIP) is in place to provide reasonable assurance to the various stakeholders of the Internal Audit activity that the Service:
- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2 The QAIP covers Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
 - Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
 - Helping the Internal Audit activity add value and improve organisational operations;
 - Undertaking both periodic and on-going internal assessments (Standard 1311); and
 - Commissioning an external assessment at least once every five years, the results of which to be are communicated to the Accounts and Audit Committee (in accordance with Standard 1312 and 1320).

2. Internal Assessments

- 2.1 In accordance with PSIAS Standard 1311, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

- 2.2 Continual assessments are conducted through:
- Management supervision of each audit review;
 - Audit policies and procedures used as set out in in the Internal Audit Strategy and Audit Manual for each assignment in order to comply with appropriate planning, fieldwork and reporting standards;
 - Review and approval of all final reports including recommendations and levels of assurance by the Audit and Assurance Manager.
 - Feedback from audit clients obtained through a client survey issued following each internal audit review. A summary analysis of responses received is included in the Annual Head of Internal Audit report.

- Monitoring of internal performance to feed into regular reporting to the Corporate Leadership Team and Accounts and Audit Committee.

Periodic Review

2.3 Periodic assessments/reviews are conducted through:

- Reporting through the year in periodic updates and annual reporting to the Corporate Leadership Team and the Accounts and Audit Committee on the work of Internal Audit. This includes presenting the Internal Audit Plan for approval; periodic updates of progress against the Plan and work completed for the year reflected in the Annual Head of Internal Audit Report.
- Annual self-assessment against the Public Sector Internal Audit Standards with a summary of the outcome of this exercise reported in the Annual Head of Internal Audit Report, including any key improvement actions planned.
- Performance review of individual audit staff through the Council's corporate processes.

3. External Assessments

3.1 External assessments will appraise and express an opinion about Internal Audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

3.2 An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be agreed with the Section 151 Officer and Chair of the Accounts and Audit Committee.

Scope of External Assessment

3.3 The scope of the external assessment will consist of the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, Internal Audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the internal audit activity into the Council's governance and reporting framework;
- Processes undertaken by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staffing structure;
- A determination whether Internal Audit adds value to governance, risk management and internal control within the Council.

3.4 Results of external assessments will be provided to the Accounts and Audit Committee. The external assessment report will be accompanied by a written action plan in response to recommendations identified. Any significant areas of non-compliance will be reported in the Annual Head of Internal Audit Report and where applicable, considered for inclusion in the Annual Governance Statement.

4. Review of the QAIP

4.1 This document will be appropriately updated following any changes to the PSIAS or Internal Audit's operating environment and will be reviewed on a regular basis.

Audit and Assurance Service : March 2020