

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 11 February 2014
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period October to December 2013.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period October to December 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 October to December 2013

Date: 11 February 2014

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between October and December 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 and 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 – Q3 2013/14

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

- Completion of a significant number of final audit reports, incorporating management responses to audit recommendations made earlier in 2013. These included reports in respect of:
 - Financial systems reviews,
 - Section 106 Planning Agreements review
 - ICT related reviews (Information Governance, ICT Data Centre, Wireless Network Access, Integrated Children's System / Electronic Common Assessment Framework)
 - Corporate Health and Safety,
 - School audit reports
- Completion of a number of draft audit reports, including remaining fundamental financial systems audits, review of procedures for managing client finances and procedures in respect of school census returns.

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

An opinion is stated in each audit report to assess the standard of the control environment.

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

These incorporate management comments and responses to audit recommendations, including planned improvement actions.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area such as an establishment.

Level of Risk Associated with Opinion Level and Breadth of Coverage

This provides an estimate of the level of risk given the audit opinion provided and breadth of coverage of the review.

High Risk (H) – Red Opinion / Level 3 or 4

Medium Risk (M) – Red Opinion / Level 1 or 2 , or Amber Opinion / Level 2, 3 or 4.

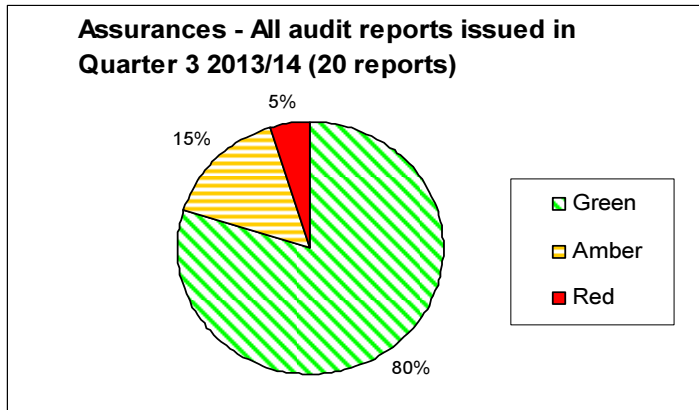
Low Risk (L) – Green Opinion or Amber Opinion / Level 1.

Summary of Assurances for 3rd Quarter 2013/14

Q3 – 2013/14

16 final reports and 4 draft reports

Chart 1 – Analysis of Assurance by Opinion Levels (Quarter 3)



Year to Date (up until 31 December 2013)

37 final reports and 4 draft reports

Chart 2 - Analysis of Assurance by Opinion Levels (Year to Date)

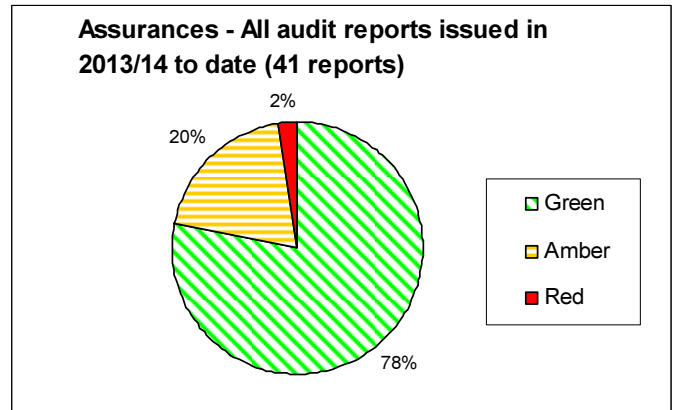


Chart 1 shows that good or at least adequate levels of control were in place for 80% of areas reviewed, with 78% at least adequate for the year to date, as shown in Chart 2.

4. Overall Conclusions

A total of 20 audit reports were issued in the quarter, 16 final reports and four draft reports. For 16 of the 20 reports issued, at least an adequate (Medium or above) opinion was given.

Of the 16 final reports, this included 7 financial system reviews where opinions of High (5 reviews) and Medium/High (2 reviews) were given.

A less than adequate opinion was given for the following final reports issued (all of which will be subject to follow up review in 2014/15):

- Section 106 Planning Agreements review (Low Opinion)
- Information Governance (including Public Sector Network and NHS N3 Network Connectivity) (Low/Medium Opinion)
- Integrated Children's System / Electronic Common Assessment Framework – IT review (Low/Medium Opinion initially given although revised to Medium following a follow up review)
- Springfield Primary School (Low/Medium Opinion).

For the other reviews completed to final report stage, these were in respect of :

- Two other school audits (both Medium/High opinions)
- ICT reviews in relation to the ICT Data Centre (Medium opinion) and Wireless network access (High).
- Corporate Health and Safety (Medium/High).

As reported in Section 7, 94% of recommendations made in the period have been accepted with 97% in the year to date.

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

5. Summary of Audit & Assurance Opinions Issued – Q3: 2013/14

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports :		
Section 106 Planning Agreements (T&R&EGP) / (Finance, T&R, Economic Growth and Prosperity)	Low (RED) (1/10/13)	Findings indicated a number of areas for improvement, particularly in relation to monitoring of income from Section 106 agreements. The lack of dedicated officer resource in this area significantly contributed to the low level of assurance. Since the review was initially undertaken, a dedicated officer has been appointed to the post of S106 and CIL Officer who has liaised with Audit to co-ordinate an agreed action plan, all recommendations having been accepted. A follow up audit review will be undertaken in 2014/15.
Debt Recovery (T&R) / (Finance)	Medium/High (GREEN) (9/10/13)	Overall, a good standard of control was found to be in place. A recommendation was agreed to improve reporting arrangements across services with regular reports to be generated from the Debt Recovery system to be followed up by Finance Managers with each Corporate Directorate.
Accounts Receivable (T&R) / (Finance)	High (GREEN) (9/10/13)	Overall, a very good standard of control was found to be in place. All previous recommendations had been fully implemented.
Budgetary Control (T&R) / (Finance)	High (GREEN) (10/10/13)	Effective standards of control continue to be in place and the High opinion level has been maintained.
Housing and Council Tax Benefits (T&R) / (Finance)	High (GREEN) (25/10/13)	Effective standards of control continue to be in place and the High opinion level has been maintained.
Information Governance (including Public Sector Network and NHS N3 Network Connectivity) (T&R) / (Transformation and Resources)	Low / Medium (AMBER) 5/11/13	The main element of the review was completed by Salford Audit Services on behalf of Trafford Audit and Assurance Service. It is acknowledged that the Council is currently reviewing and improving its information governance structure and processes with the recently established Information Security Governance Board. The Low/Medium opinion reflected the position in respect of ongoing work needed to meet national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. An Action Plan was agreed and will be subject to audit follow up.
ICT Data Centre (T&R) / (Transformation and Resources)	Medium (GREEN) (11/11/13)	The review was completed by Salford Audit Services on behalf of Trafford Audit and Assurance Service. The associated draft report provided an “Amber” opinion as it included reference to a number of queries to be clarified in response to draft recommendations made. Since the draft report was issued, outstanding queries have been resolved resulting in a Medium Level of Assurance now given. Recommendations agreed to be implemented include formalising a policy/procedural document setting out responsibilities, security procedures etc. in relation to the data centre.
Purchase to Pay (T&R) / (Finance)	Medium/High (GREEN) (20/11/13)	Key controls surrounding the Purchase to Pay process have retained high levels of control in the majority of areas reviewed. There are, however, currently a number of issues being addressed on an authority-wide basis to ensure that the EBP System is used effectively by Services to ensure transactions are processed promptly and in accordance with financial procedure rules.
Wireless Network Access (T&R) / (Transformation and Resources)	High (GREEN) (22/11/13)	The objective of the audit was to ascertain the effectiveness of the controls in place over the corporate wireless IT networks within the Trafford Town Hall and Sale Waterside buildings, as well as to determine whether non-corporate wireless access points were accessible to staff. It was reported that the wireless network is adequately secured against unauthorised access.
Corporate Health and Safety (T&R) / (Transformation and Resources)	Medium/High (GREEN) (28/11/13)	Overall, adequate standards of control were found to be in place. A small number of agreed recommendations focussed on updating / reviewing certain policies and guidance documents in place.
Council Tax 2012/13 (T&R) / (Finance)	High (GREEN) (10/12/13)	Effective standards of control continue to be in place and the High opinion level has been maintained.

Income Control 2012/13 (T&R) / (Finance)	High (GREEN) (18/12/13)	Effective standards of control continue to be in place and the High opinion level has been maintained. The report notes that specific recommendations in respect of income control for individual services/establishments have been made, where applicable, as part of other audit reviews.
<u>Level 3 Reports:</u>		
Integrated Children's System (ICS) / Electronic Common Assessment Framework (e-CAF). (CFW) / (Supporting Children and Families)	Low / Medium (AMBER) (18/10/13) Medium (GREEN) (10/12/13) after initial follow up review completed.	This review focused on ICT related controls in respect of the electronic children's care and case recording systems, ICS and e-CAF. Areas for control improvements highlighted related to the potential for unauthorised access to the systems and the need to ensure the systems contain up to date details. Since the audit, a review of access rights has been undertaken and inactive accounts removed. Access to the e-CAF system has been reviewed and further restricted and data cleansing of both systems is ongoing. Policies are being developed to ensure staff are aware of their responsibilities when accessing both systems and management checks have been introduced. A brief follow up audit review was completed in December 2013 and based on the progress made (7 out of 10 recommendations completely or substantially implemented with the remaining ongoing), a revised opinion of Medium was given. A detailed follow up review will be included in the 2014/15 Internal Audit Plan.
<u>Level 1 Reports :</u>		
Springfield Primary School (CFW) / (Education)	Low/Medium (AMBER) (4/11/13)	The audit found areas of good practice, but there is a need to improve controls for a number of business risks. Recommendations were made relating to improving divisions of duties, audit trails and independent checks across a number of areas including purchasing and income collection. A follow up audit review will be included in the 2014/15 Internal Audit Plan.
Sale High School (CFW) / (Education)	Medium/High (GREEN) (27/11/13)	Controls are adequate and effective to address most business risks reviewed by the audit. Recommendations included the need to review and update a number of existing policies and procedures, including the Finance Manual.
All Saints Catholic Primary School (CFW) / (Education)	Medium/High (GREEN) (17/12/13)	Controls are adequate and effective to address most business risks reviewed by the audit. A small number of recommendations were made to improve existing controls in relation to record-keeping.
<u>DRAFT REPORTS</u>		
<u>Level 4 Reports:</u>		
Payroll 2012/13 (T&R) / (Finance & Transformation and Resources)	Medium/High (GREEN) (5/12/13)	Overall, a good standard of control was found to be in place with a small number of recommendations made. The Audit opinion will be confirmed in the final report which will incorporate the management response to the draft report. (It is noted that separate external audit findings have previously been reported which included reference to a recommendation regarding the accessing of payroll information which the Accounts and Audit Committee subsequently received a progress update on).
General Ledger IT (T&R) / (Transformation and Resources)	Medium/High (GREEN) 14/11/13	Overall, a good standard of control was found to be in place. Further details to be reported once the management response has been incorporated in the final report.
<u>Level 3 Reports :</u>		
Client finances (CFW) / (Adult Social Services)	Medium (GREEN) (12/12/13)	A review of the management / administration of client finances was undertaken i.e. management of finances for vulnerable clients where the Council has been made an Appointee or Deputy to manage the funds. The audit opinion will be confirmed following issue of the final report incorporating the management response.
<u>Level 2 Reports:</u>		
School Census Procedures (CFW) / (Education)	Medium/High (GREEN) (14/11/13)	Overall, adequate standards of control were found to be in place. However, recommendations have been made to ensure that assurance is formally sought from a number of services to review the accuracy of data prior to it being submitted to the Department for Education.

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. Work in this quarter included:

- Conducting work in relation to a number of investigations, a summary of which will be provided to the Accounts and Audit Committee at its March 2013 meeting.
- Co-ordinating the update of the Council's Strategic Risk Register, providing an update report to the Transformation, Performance and Resources Group in December 2013.

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 16 final reports issued during the quarter, **94% of all recommendations made** (94 out of 99) **have been accepted.**
- In the year to date, **97% of all recommendations made** (305 out of 316) **have been accepted** (Service annual target is 95%).

Implementation of audit recommendations

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

- Through reviews undertaken on an annual or cyclical basis e.g. fundamental systems reviews, assessing progress in terms of ongoing improvements in controls.
- 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.

In terms of the **fundamental financial systems reviews**, opinions of High or Medium/High were given in respect of all the reports issued in the period.

At the request of the service area, a follow up review was completed in the quarter of the Integrated Children's System / Electronic Common Assessment Framework (CFW) review as covered in section 5.

Finally, a follow up through self assessment was completed in relation to a contract monitoring audit review, originally completed in 2012/13. This related to Sale Waterside Facilities Management. Of the 12 recommendations made, eight had been implemented and four in progress or ongoing.

In respect of the year to date, where specific follow up reviews have taken place through audits or self assessments (eight reviews in total), out of 102 recommendations followed up, **76% of recommendations have been implemented, 21% are in progress and 3% 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 three, 1024 audit days were spent to date (against profiled, planned allocated days of 924 days).

There are some variations to note between planned and actual time taken against particular categories of work. In terms of financial systems review work, as at the end of December 2013, this is greater than planned. This is explained by the actual time spent being less than planned in the previous year as reported in the 2012/13 Annual Internal Audit Report. Review work originally planned to commence in March was delayed until the current year.

Time spent in respect of Anti-Fraud and Corruption work is also greater than planned. This is accounted for by higher than expected time on investigation activity between June and September 2013, the relevant pieces of work having now concluded and reported as appropriate.

The above variances and those in other categories of the Audit Plan, subject to resource availability, will be met by contingency time allocated in the Plan. For areas where lower than anticipated time has been spent in the period, it is expected that increased time will be spent in the final quarter.

In terms of audit resources, one of the Principal Audit and Assurance Officers left the Council in December 2013. In the short-term, arrangements have been made to ensure any priority work areas under the responsibility of that officer have been covered, with longer term arrangements to be agreed. Based on current resources, it is expected that all planned key areas of work will be completed or in progress with the exception of any reviews that are agreed to be delayed at the request of Services. This is being kept under review and CMT / Accounts and Audit Committee will be advised in the 2013/14 Annual Internal Audit Report of any areas not completed / work carried forward in to 2014/15. Liaison meetings are to be held in quarter 4 with relevant Corporate Directors to discuss progress against the Plan and planned work for 2014/15.

Client satisfaction surveys (April to December 2013)

Client Surveys: A client questionnaire is sent out with each audit report canvassing managers' views on the conduct of the audit review and its impact. A summary of feedback received is shown below.

QUESTION	V.GOOD	GOOD	SATISFACTORY	ADEQUATE	POOR	% v.good - good
1. Consultation on audit process and audit coverage prior to commencement of the audit	7	2				100%
2. Feedback of findings and liaison during the audit	6	2			1	89%
3. Professionalism of auditors	8				1	89%
4. Helpfulness of auditors	8				1	89%
5. Timeliness of the review and the draft report	5	2		1		88%
6. Clarity of the report	6	2		1		89%
7. Accuracy of the report	6	2			1	89%
8. Practicality of the recommendations made	4	4			1	89%
9. Usefulness of the audit as an aid to management	8					100%
Total	58	14		2	5	91%

(Note: the results are based on responses from 9 client surveys received in the period. It should be noted that respondents have not all responded to each question). It should also be noted that any responses of "poor" or "adequate" all relate to one client survey, the details of which have been followed up with the relevant service).

9. Planned / Ongoing Work for Quarter 4, 2013/14

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

- Commencement / progression of a number of audit reviews and issue of a number of draft reports in respect of ongoing audit reviews including those relating to Staff car parking; Schools ICT review, Gorse Hill Studios (Youth Service), Local Welfare Assistance Scheme (Trafford Assist).
- Ongoing review of data matches as part of the National Fraud Initiative with the aim of reporting on outcomes in an update to the Accounts and Audit Committee in March 2014.
- Agreeing the approach / timetable for completing the 2013/14 Annual Governance Statement.
- Meetings with Corporate Directors and other managers to discuss progress in respect of planned work for 2013/14 and agree areas for inclusion in the 2014/15 Internal Audit Plan. (The 2013/14 Annual Internal Audit Report will include a listing of work completed in quarter 4 together with details of any 2013/14 planned review work carried forward in to 2014/15).

APPENDIX A

2013/14 Operational Plan: Planned against Actual Work (as at 31 December 2013)

<u>Category</u>	<u>Details</u>	<u>Planned Days 2013/14</u>	<u>Planned Days (up to 31/12/13)</u>	<u>Actual Days (as at 31/12/13)</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	150	205
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	70	50
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	30	15
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	130	187
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	60	25
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	65	98
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	190	125	111
Establishments	Reviewing governance and control arrangements across a range of establishments.	80	50	28
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	110	152
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	82	131

	arrangements.			
Financial Appraisals	Financial Assessments of contractors and potential providers	70	52	22
TOTAL		1320 *	924	1024

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