TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 March 2014
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2014/15

Summary

The purpose of the report is to provide, at a high level, the proposed Internal Audit Operational Plan for 2014/15.

Recommendation

The Accounts and Audit Committee is asked to approve the 2014/15 Internal Audit Plan.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
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Background Papers:
None

Internal Audit Operational Plan 2014/15 – Audit and Assurance Service

1. Introduction

1.1 The 2014/15 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 2014/15 Plan for approval.

2. Background

2.1 Each year the Audit and Assurance Service produces a report setting out its annual plan for approval by CMT and the Accounts and Audit Committee. Subsequent updates are then provided to CMT and the Accounts and Audit Committee through the year highlighting work undertaken and progress against key areas of the Plan.

2.2 In accordance with the Accounts and Audit (England) Regulations 2011, it is a requirement that the Council "must undertake an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control." In order to support this, it should be noted that new standards for Internal Audit have been in place since 1 April 2013, the Public Sector Internal Audit Standards. These replaced the CIPFA Code of Practice for Internal Audit in Local Government (2006). In 2013/14, the Audit and Assurance Service reviewed its Charter, Strategy and supporting procedures to ensure adherence to the Standards which will be reported on, as required, by June 2014 in the 2013/14 Annual Internal Audit Report.

3. Compilation of the Plan

3.1 The underlying principle in producing the Operational Plan is that the areas representing the highest risk to the Council are included. An important consideration is that the Operational Plan should include good coverage across Council services and systems. The ongoing financial challenges facing the Council highlight the need to ensure there are effective governance and internal control arrangements in place to ensure risks are managed and value for money is achieved.

3.2 A number of factors are taken into account in compiling the Operational Plan based on both statutory obligations, the objectives of the Council 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 New developments such as changes in legislation and council responsibilities are considered in planning work. Current developments

across the Council are also taken into account in planning and scheduling work.

3.4 Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year, through information provided in risk registers, self assessments and control / governance issues raised by individual services.

3.5 The Service has a number of obligations to take into account in producing the Plan. This includes the need to set aside time to meet the requirements of the Accounts and Audit Regulations 2011 by facilitating the production of the Authority's Annual Governance Statement.

3.6 Plans also take into account other audit, assurance or development work being undertaken in particular areas. This includes for instance work by the External Auditor and other developments across the Council.

3.7 The amount of time available to undertake the annual plan is identified, and individual areas of work selected on the basis of risk until available time has been utilised. This includes time taken into account to ensure there is adequate follow up of findings from work undertaken in the previous year. A contingency is also held to allow for unforeseen circumstances.

3.8 For reporting and monitoring purposes the plan is divided into a number of categories. Whilst the plan is divided into these categories it should be noted that there are significant areas of overlap between them and assurance gathered from one source could apply to another. For instance, whilst there is a block of time allocated to procurement and value for money, such issues will also be covered to some degree within other areas of the plan such as reviews of fundamental systems; anti-fraud and corruption work and reviews of schools and other establishments.

3.9 It should be noted that there is a reduction in planned operational days in the Audit Plan, due to the departure of one member of staff, the post having been subsequently deleted. (1325 planned days in 2014/15 compared to 1450 in 2013/14). As in previous years when an officer has left the team, this has resulted in a reduction in days in some areas of the Plan although given the reduction has been applied over a number of categories, in 2014/15 there is no significant reduction in any one specific category.

3.10 There is a variety of activities undertaken to fulfil the Audit Plan and in addition to conducting internal audit reviews, work also includes providing input to project / working groups, providing guidance and advice, and developing or providing input to council policies and procedures.

3.11 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risks are identified on an

ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Quarterly updates to CMT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The Operational 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 detailed programmes of work for the individual categories listed in section 4, plus further plans detailing work allocated to individual staff.

3.12 It should be noted that there are a number of other activities undertaken that are not reflected in the analysis of planned days 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 (Grant Thornton), development of audit systems, procedures and guidance, networking with other Greater Manchester Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate time allocations are given to individual staff to undertake these activities.

3.13 Where key areas identified in the Plan are not undertaken as scheduled, this will be reported in subsequent updates and / or the Annual Internal Audit Report as necessary.

4. Operational Plan Coverage 2014/15

4.1 The Operational 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 the appendix is a summary of all the planned work and an estimated time is allocated to each category. This includes an estimate of time profiled by quarter.

4.2 **Fundamental Systems**

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Work in the first part of the year will focus on undertaking 2013/14 system reviews. Work in planning for 2014/15 reviews will commence towards the end of the year.

Previous assurance obtained in earlier audits will be taken into account in planning the level of audit coverage within individual reviews.

The following 13 systems will be reviewed as part of annual reviews specifically covering 2013/14 with a report issued for each review:

Payroll, Treasury Management, Purchase to Pay, Accounts Receivable and Debt Recovery, Council Tax, Business Rates, Housing Benefit and Council Tax Reduction, Income Control, Budgetary Control, Let Estates, Works Management, Energy Management and Fuel Card monitoring,

Further work relating to a number of other systems will be undertaken during the year. This will include reporting on findings from four reviews which are either currently in progress or to commence in 2014/15. These are as follows : Softbox system (Children, Families and Wellbeing), Personal Budgets (Children, Families and Wellbeing), Insurance, and Education FMS (schools system).

4.3 **Governance**

Audit and Assurance will lead on reviewing and collating supporting evidence and assurances for the completion of the Council's 2013/14 Annual Governance Statement. As part of this, a Corporate Governance review will be completed using CIPFA/SOLACE guidance as a framework. This identifies particular aspects of governance arrangements to review across the Council such as clarity of responsibilities and reporting arrangements, procedural issues, standards of conduct, management of risks, community engagement, workforce planning etc. Work in support of producing the 2014/15 Annual Governance Statement will commence in the final quarter of the year.

An audit review of governance arrangements in respect of the Trafford Partnership will be undertaken, once the Council's restructure of the service area supporting the Partnership has been completed later in the year.

An audit review has commenced as planned in March 2014 of partnership arrangements in respect of the Section 75 Strategic Partnership agreement for integrated commissioning of children's health and social care services, between Trafford Council and Trafford Clinical Commissioning Group. The review will be completed and findings expected to be reported later in 2014. In addition, later in the year a review of the recently established Section 75 Strategic Partnership Agreement for the integrated delivery of health and social care between Trafford Council and Pennine Care Foundation Trust will be completed.

4.4 **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 of those risks. As part of this, there will also be ongoing liaison with individual Corporate Directorates to share good practice and gather

assurance at a Directorate level that risk registers at that level continue to be maintained effectively. The Service maintains corporate risk management guidance, available on the Council's intranet, which where applicable will continue to be updated.

4.5 **Anti Fraud & Corruption**

The key areas of focus in this area are :

- To further develop the anti fraud and corruption culture within the Council by, for example, raising awareness corporately.
- To investigate referred cases.

In 2014/15, the Service will continue to contribute to raising awareness across the Council of the Council's Anti-Fraud and Corruption Strategy and supporting guidance in order to promote measures to prevent, deter or detect instances of fraud and corruption. As part of this, the Service will liaise with Legal and Human Resources as required, where appropriate, to review existing policies and protocols.

The Service maintains anti-fraud and corruption guidance on the Council intranet, which where applicable will continue to be updated.

Cases of suspected fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year. The Service will continue to support the National Fraud Initiative and will report progress on this and other anti-fraud and corruption activity to the Accounts and Audit Committee.

4.6 **Procurement / 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 the Council's Contract Procedure Rules and relevant legislation.

Arrangements for recruiting to the multi-authority collaborative strategic procurement unit, consisting of Stockport, Trafford and Rochdale Councils (STaR) are now well advanced. Audit and Assurance will continue to monitor developments in this area with a view to agreeing work plans later in the year in consultation and collaboration with the Director of STaR and member Authorities.

Towards the end of the year, an audit review of the contract letting and monitoring arrangements for the new corporate Car Parking enforcement contract will be undertaken.

There will also be a contract monitoring audit review of the arrangements established in respect of the lease for the management / operation of Altrincham Market.

As part of the 2014/15 Plan, Audit will be agreeing, in liaison with the Director of Public Health and also the Procurement team, audit coverage of contracting issues relating to Public Health. (Work commenced on the contract award and monitoring arrangements for the Sexual Health contract during 2013/14 and will be completed in 2014/15 with further review work to be agreed).

Time will also be allocated for any work carried forward from the 2013/14 Internal Audit Plan which will be highlighted in the 2013/14 Annual Internal Audit Report.

Where appropriate, Audit will continue to liaise with Procurement to investigate issues in relation to adherence to the Contract Procedure Rules.

4.7   **Information, Communications and Technology (ICT)**

The audit of ICT covers the audit of procedures, processes and controls across a range of computer systems and technical solutions. Salford Audit Services undertake some of this work and also contribute to audit planning in respect of this area.

In 2014/15 a number of pieces of audit work carried out in 2013/14 will be followed up to provide assurance that appropriate controls have been put in place where areas for improvements in control had previously been identified. This includes follow up of three previous audits : The ICT Data Centre review, Information Governance review and the Integrated Children's System /Electronic Common Assessment Framework review.

A number of schools ICT Governance and Security reviews were completed during 2013/14 with reports issued to individual schools. In 2014/15, a corporate report will be issued to summarise any key issues and recommendations made.

A review will be completed of functionality/security in relation to the newly developed Council website.

A review will also be undertaken of ICT Change Management processes to review against best practice.

There will also be a review of ICT controls within the Council's general ledger covering security of systems and data and reliability of data outputs.

Audit will continue to provide project assurance where required to project / working groups for corporate ICT developments. Advice / guidance on control issues relating to ICT related developments within individual service areas will also be given as required.

Audit will continue to contribute to the Information Security and Governance Board such as providing input where required to the process of reviewing policies and other developments.

This block of work will also cover investigating cases of misuse of the Council's ICT facilities, ensuring members and staff are aware of responsibilities, such as in adhering to the council's Acceptable Use Policy.

Any further review work will be agreed during the year and reported to CMT and the Accounts and Audit Committee.

4.8 **Schools**

The Schools Financial Value Standard was introduced in 2011/12 and since then, schools are required to submit evidence to support adherence to the Standard by 31 March each year. Information 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 and from previous work undertaken at each school and liaison with the CFW Directorate and Finance Services, a minimum of 14 school audit opinion reports will be issued. This will include follow up work undertaken for schools where a less than adequate opinion was provided in 2013/14. The majority of school audits will take place from September 2014.

The Plan also includes a review of the newly established Nexus Education Centre, which was formed following the amalgamation of the Council's Key Stage 3 and Key Stage 4 pupil referral units.

Work is also in progress in developing an optional service for schools whereby a school audit "healthcheck" will be offered at an agreed charge. Further details on this will be reported as part of a future Audit and Assurance quarterly update later in the year.

4.9 **Establishments**

A number of establishment reviews are completed each year to ensure a broad coverage of audit work across the Council. The approach taken to auditing this area may include reviews of individual establishments and also central reviews taking into account processes on a service wide basis. Risks reviewed encompass a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing; income collection and recording and other areas specific to the service under review.

The following new reviews are planned:

- Meadowside Day Centre (Older People, Learning Disability services)
- One Children's centre
- Follow up audit of Altrincham Crematorium which was previously audited in 2013/14.

There will also be time allocated for the completion of any reviews in progress / audits carried forward from the 2013/14 Plan (which will be highlighted in the 2013/14 Annual Internal Audit Report). These will include the issue of the following reports in 2014/15:

- Sale Waterside Theatre
- 2 Children's Centres.

Further time will be allocated if necessary for other establishment reviews, dependent on priorities, including accommodating audits following issues raised during the year.

4.10 Assurance – Other Key Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the Plan, including Directors / senior managers' recommendations, risk registers (Strategic and Directorate Risk Registers), and internal audit risk assessments.

Reviews planned to be completed include the following:

- Building Control (Economic Growth and Prosperity)
- Catering -Trafford Town Hall (Environment, Transport and Operations)
- Music Service (Children Families and Wellbeing)
- Trafford Youth Service barge project (Children, Families and Wellbeing)
- Registrar's Income (Transformation and Resources)

Follow up work in respect of reviews previously undertaken in 2013/14 will be undertaken. This will include follow up reviews of:

- Section 106 Planning Agreements
- Business Continuity
- Carrington weighbridge (waste transfer)
- Carrington Depot Stores (follow up on audit reports issued in 2013/14 relating to reviews in Stores and Street Lighting).

In addition, reviews planned to commence in 2014/15 include the following:

- Planning Control (Economic Growth and Prosperity)
- Land Sales programme (Economic Growth and Prosperity).

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

There will also be time allocated for the completion of any reviews in progress / carried forward from 2013/14 (which will be highlighted in the 2013/14 Annual Internal Audit Report).

Finally, where required, the Audit and Assurance Service will continue to provide a role in reviewing data provided on certain statutory returns. This will include the Carbon Reduction Commitment (CRC) reports the Council is required to submit.

The majority of reviews in this category are expected to commence in the second half of the year. There will also be time set aside to review other potential risk areas as raised through 2014/15.

4.11 **Service Advice / Projects**

The Audit and Assurance Service provides advice across the Council on governance and control 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 other services.

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.

Audit also contributes to a number of project groups involved in the development of new systems or review of processes, providing advice and assurance where appropriate. (In 2013/14, this included input to groups/boards relating to the New Organisational Model Enabler team, corporate review of ETO Operations, Information Security Governance Board, Adult Social Care system, Housing Benefits Risk Based Verification Policy and Customer Relationship Management (CRM) project). Audit will continue to set planned time aside to contribute to projects to provide input in terms of consideration of internal control issues. Significant areas of work undertaken will be reported as part of 2014/15 updates to CMT and the Accounts and Audit Committee.

4.12 **Financial Appraisals**

The Service will continue to liaise with the STaR Strategic Procurement Unit to support the process of evaluating the financial position of contractors and potential providers.

Category	Details	Impact of Audit and Assurance's work	**Planned Days** (Profiled by each quarter of year – Q1/Q2/Q3/Q4)
Fundamental Systems	**Completion of annual (2013/14) fundamental systems reviews and other system reviews.** **Planning of 2014/15 fundamental systems reviews.**	**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.**	**230** (70/70/50/40)
Governance	**Corporate Governance Review.** **Collation of supporting evidence and production of the 2012/13 Annual Governance Statement** **Audit reviews of governance arrangements for the Council's significant partnerships.**	**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.** **The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.** **Provision of assurance on the effectiveness of partnership governance arrangements. Supporting the achievement of Council and Trafford Partnership priority outcomes.**	**80** (37/12/22/9)
Corporate Risk Management	**Facilitating the updating of the Council's strategic risk register.** **Progression of actions to support the Council's Risk Management Strategy including review of risk management**	**Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the allocation of resources. The work also supports the Council in evidencing good practice undertaken when subject to external audit review.**	**30** (5/10/5/10)

	processes, awareness raising and provision of guidance to services and partnerships.		
Anti Fraud & 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.**	**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.**	**180** (40/45/50/45)
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.**	**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.**	**70** **(**10/15/15/30)
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.**	**Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems. Assurance to managers who place significant reliance on ICT systems for the delivery of services.**	**90** (20/25/20/25)
Schools	**Audit reviews of individual schools and service wide review work.** **Supporting schools in ensuring awareness of requirements within the**	**Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by DfE.**	**170** (25/30/55/60)

	DfE Schools' Financial Value Standard.		
Establishments	Reviewing governance and control arrangements across a range of establishments.	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.	**70** (20/20/15/15)
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.	Improvement in the delivery of objectives and outcomes in areas where risks are identified.	**170** (20/45/40/65)
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 arrangements. | Support to services around the relevance and application of corporate policies, procedure rules and good governance arrangements.

Contributing to the delivery of effective project outcomes ensuring key risks are taken into account and appropriate controls considered in the development of new systems, functions and procedures. | **100** (25/25/25/25) |
| **Financial Appraisals** | Financial Assessments of contractors and potential providers | Assurance to services on the financial viability of contractors and potential providers

Reducing risk in procurement and delivery of services across the Council | **35** (9/9/9/8) |

		Total Allocated Days	**1225** (281/306/306/332)
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	**100**
		Total Planned Days	**1325**
		Available Days	**1325**
		Surplus/Deficit for Year	**0**